

How To Build “Value” For Healthcare Brands in Emerging Markets By: Jay Gronlund, Global Partners Principal

It is well-known that pharmaceutical and other life science companies are increasingly turning to new approaches to grow their business, especially those who have had their new product pipelines dry up over the past several years. One such approach is to focus on emerging countries, which represent a high potential opportunity to increase revenues from existing brands. Seeking a fresh perspective, a leading pharmaceutical company recently invited me to conduct a workshop on how to revitalize their core business in developing countries – e.g. in Latin America, Middle East, Central/Eastern Europe and Southeast Asia. Although each country is different in many ways, culturally, economically, politically and regulatory, all participants nevertheless shared the same central challenge: *how to improve their product/brand value in view of an entirely different world ahead, especially with the growth of lower price generics and fewer resources available to them.*

This situation is common to so many companies today that seek a new paradigm for growth, especially in the healthcare, pharmaceutical, and life-science sectors. The current recession has forced managers to become more efficient, or to “do more with less”. The old model for building a business through mainly product innovations or new blockbuster drugs will not be enough in the future. Whether it is a pharmaceutical product, a medical device or life-science service, the challenge of building extraordinary value for products and businesses will be more complex and demanding. This task will require a complete re-assessment of the market and how to position an organization’s strengths - in particular, a re-orientation from functional to emotional benefits (e.g. trust and comfort), from product to customer focus, and from established to emerging markets.

How Our World Has Changed

This recession has revealed how antiquated and even obsolete the traditional marketing and selling techniques have become for many industries. The dynamics for finding and satisfying a customer have been turned upside down. The days of assertive ‘hard’ selling are over. Today business must be far more prepared, sensitive and innovative in their approaches. Here are four major trends and challenges that we believe will drive managers in the healthcare and life sciences industry to re-evaluate how they define and build value in the future:

1. **Role of Value Pricing** – businesses and end consumers are being squeezed, so they naturally gravitate more toward lower competitive prices. But prices are only part of the equation that defines value. The other key elements are the perception of quality and benefit for the customer and the overall customer experience with a company’s products and overall. Hence, we believe that the biggest challenges will be how to enhance this perception of quality, how to convince the customer that product benefits are indeed more credible, distinctive and compelling than competitors and

how to deliver a positive customer experience, all of which result in higher prices and greater brand loyalty.

2. **Global Growth Opportunities** – there are two basic ways to grow a business organically: getting current customers to use and/or buy more, or attracting new customers. Short of new, extraordinary innovations, the first approach is becoming more difficult to achieve in mature markets, due to the increase in sophisticated competition (including lower priced generics), more confining regulations, and the higher risks for making an adequate Return-On-Investment (ROI) from new products. On the other hand, a major source for new customers is the emerging markets in the future – like Brazil, Russia, India, and China (BRIC). While many healthcare companies may have a presence in such countries, most have not fully penetrated these markets or adapted well to their unique, dynamic culture and business environment.
3. **A New Landscape with the Internet** – growing access to the internet is dramatically changing how customers become aware of their options, judge the quality and benefits, and even select new products. Tomorrow's customer will be more empowered to make such purchasing decisions themselves. Digital marketing involving website management, SEO/SEM, and social networking will play a greater role. The impact of these trends is already apparent in the U.S. (source: TNS 2009 healthcare survey), for example:
 - 70% of the population seek healthcare information online each month
 - 86% of them say it is reliable
 - 62% of doctors turn to the internet for information

These trends will affect emerging markets soon and customers, like physicians, pharmacists and hospitals must recognize this growing empowerment of the end user (e.g. their patients) and become more sensitive to their needs, especially on an emotional level.

4. **Changing Customer Profile** – every country in the world is experiencing some form of social and demographic upheaval. It could be a surge of older or younger end users, more rural versus urban, growing minority segments like US Hispanics, better educated and connected (e.g. via the internet) consumers, more demanding, less accessible B2B “gate-keepers” with little free time and patience, or simply pockets of prospective customers who have yet to try a product and/or don't fully appreciate its value offering. But each change represents a new opportunity to attract incremental customers and revenues, and especially to reinforce a brand value proposition.

Leveraging These Four Trends to Build Value in Emerging Markets

There is no question that developing countries represent an important source for new revenue, but the challenges and risks are also unprecedented. For example, even mature companies like Procter and Gamble and Johnson and Johnson see emerging markets as a primary source for growth in the future, and are committed to training their managers to become more proactive in capturing opportunities in these regions.

Such industry leaders also recognize that real progress in these markets will be achieved by developing completely new approaches to planning, marketing and selling. While every situation is different, a common driver for success will always be how well companies enhance and leverage the core value of their brand, especially how the brand should be adapted to the unique needs and opportunities in each market. Here are several key initiatives that companies can use to successfully build value and penetrate these developing countries:

- **Create a Market Roadmap** – many healthcare companies simply have not evaluated the market potential thoroughly enough, or in a way that translates to a very specific, actionable road map that reflects the best opportunities. This is a very complicated, yet critical planning task. One key step is to segment the market in order to identify the highest potential customers and to prioritize future business development initiatives. Examples of common criteria for segmentation include:
 - Problem/need incidence – where, awareness, treatment, etc.
 - Geography – urban centers vs. rural (e.g. markets-within-a-market principle, as in Brazil), access/distribution, location of B2B customers, etc.
 - Income and other socio-economic criteria
 - Demographics - e.g. age, sex, race, religion, etc.
 - Lifestyle behavior and product usage (e.g. current treatment, diet, smoking, physical activity, etc.)
 - Pricing levels and positioning of competition - branded and generic products

A more comprehensive and relevant research analysis with a fresh perspective must also include the main strategic conclusions and the practical implications for marketing and sales, plus the key assumptions for all projections. Fully understanding the most promising segments for expansion in these emerging markets will help management maximize the brand value for these top priority B2B or B2C customers.

- **Reposition for Stronger, more Relevant Brands** – every global brand should maintain the same “brand essence” (i.e. it’s “DNA”) around the world, but a re-positioning might emphasize different features for each market to make sure a brand is truly relevant and more distinctive, depending on the local needs/desires and competitive situation. The starting point and most important issue for any re-positioning is the target customer, whether it is B2B and/or B2C, and for some companies their internal staff in foreign countries (e.g. for Employer Branding). Careful research on the specific needs (functional and emotional) of each potential customer segment in an emerging market will reveal important insights that will help determine which particular feature would make the core benefit genuinely credible and compelling. The perception of this brand benefit or promise will enable marketers to enrich the value offering for each market, so it is critical to think local, not global on this issue. From a practical standpoint, the brand positioning should also act as the core compass for developing and implementing all new product innovations, line extensions, marketing programs and selling tactics for penetrating each new market.

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- **Ideation for New Ideas** – Ideation is basically a creative brainstorming session or technique for generating new ideas, for new product innovations, marketing, selling or promotion initiatives. A common and egregious mistake is to expect an expansion “formula” that worked in one country to be successful in another. Creating new ideas is a highly effective way to capture the attention and build a permanent presence in these rapidly changing markets, especially in light of growing competition among lower priced local products and generics. Generating truly distinct ideas that are relevant, practical and buzz worthy requires an entirely new thinking process. Ideally a productive brainstorming session should be supported by prior research on trends and local market opportunities, an imaginative yet pertinent framework for creativity, a variety of participatory managers (e.g. with different expertise and both right and left brained people), novel ideation techniques, and an experienced, professional facilitator from the outside.
 - **Balance Disciplined with Entrepreneurial Thinking** – it would be naïve to expect healthcare managers from the U.S. or Europe to successfully transfer their inherent style and best practices to these emerging markets. Instead they should complement their professional discipline with the flexibility and adaptability needed for these dynamic markets. It is of course essential for local managers to learn the fundamental principles of sound strategic planning, insightful branding, innovative marketing and creative, smart selling. But it is even more important to be proactive and opportunistic for capitalizing on the emerging trends and new ideas from an ideation session. For example, senior managers at Colgate Palmolive have continuously insisted on training on innovation to ensure they develop “shapers” and not just “doers” in their international markets. Leadership is critical, and managers must also act as a “teacher” at all times. For emerging markets, this leadership quality must embrace the local realities and promote imagination and action, especially when the risk of slow, bureaucratic decision-making can be the most costly of all.
 - **Support with Management Development and Training** – completely understanding these principles can be a real challenge for managers in developing countries, but applying them to their local practices will be even more critical. How to develop tomorrow’s successful manager reflects another paradigm shift highlighted by the current recession. Human talent is the most important resource of any company, and training in the future must do more than simply develop basic skills; it must combine this learning process with a realistic, practical simulation that enables participants to actually use these principles to find new opportunities, think more creatively, and build better value for their brands in their immediate markets.

In their transformational book, “Managing Across Borders”, the authors Bartlett and Ghoshal cited three essential prerequisites for international success: (1) global efficiencies or economies of scale, (2) flexibility and local responsiveness, and (3) a worldwide culture of learning and innovation. This last capability can be the most difficult for some organizations, yet is perhaps the most important for expansion abroad and for revitalizing core businesses and brands.

Not surprisingly, the role of the teacher must become expanded to include consulting, facilitating and coaching, as well. More and more, managers in healthcare are recognizing the added value of seasoned professionals from the outside who become both teachers and partners with local management, adding a fresh perspective, facilitating innovation and novel ideas, and working side-by-side to implement new ground-breaking marketing and selling approaches. In emerging economies in particular, managers and employees have a strong desire for professional training due to several reasons:

- Professional development is considered a significant benefit, and so will enhance employee loyalty (this is very important in China where turnover is high).
- It creates a common corporate culture and language for all employees, which will make sharing of new ideas more effective.
- It makes it easier and more efficient to roll out new products and marketing/sales initiatives around the world.

In summary, one of the best opportunities for healthcare expansion is in these high potential developing markets abroad. However, capturing the opportunity requires companies to maximize the perceived value of their brand in order to counter the growth of lower priced generic products and respond more proactively to the needs of local customers. A compelling value proposition is the best way to establish a strong presence in these emerging markets, importantly at an early stage so that companies can develop a strong bond with your target customers and build brand equity over the long run.

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