

## **Drug makers change sales rep rewards to focus on service**

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by Peter Loftus

Some large drug makers have changed the way they compensate sales representatives and the way they approach doctors who have grown tired of brazen sales pitches.

GlaxoSmithKline PLC (GSK, GSK.LN) announced in July that beginning next year, bonuses for sales reps would be primarily based on customer service instead of individual achievement of sales targets. Merck & Co. (MRK) has expanded its bonus criteria for sales reps beyond sales targets to include feedback from doctors. Industry consultants said other large drug companies are likely to explore similar changes.

De-emphasizing sales targets does run the risk of hurting near-term product sales, especially if competitors continue to push reps to promote aggressively. But it could help sales over the long term if the approach builds goodwill among doctors, said Tim van Biesen, head of the North American health care practice at consulting firm Bain & Co.

Pfizer Inc. (PFE) is reviewing "alternative compensation structures," a spokesman for that company said. Abbott Laboratories (ABT) has no current plans to make changes similar to Glaxo's, a spokesman said. Industry observers said the compensation shifts, along with widespread layoffs of sales reps, resulted from physician response to the buildup of sales forces during the last two decades.

"Physicians have become jaded from an era of too many reps and the notion of reps as just pushing their products, versus having a commitment to the well-being of patients," said Michael Luby, a former sales rep who now heads BioPharma Alliance, a pharmaceutical marketing consulting firm in West Conshohocken, Pa.

Roughly 10% to 20% of a drug's sales can be attributed to sales rep activity, an amount that can make a difference between hitting Wall Street expectations or not, Luby added. However, he said he doesn't think the change in compensation models would significantly alter a drug's ability to hit an overall sales target.

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The altered incentives also could discourage reps from some of the less savory promotional practices that have surfaced in recent years.

Aggressive sales targets have been blamed for pushing reps to promote unapproved, or off-label, uses of drugs in order to meet these goals. Big drug makers have struck costly settlements of government probes into off-label marketing in recent years.

The U.S. Food and Drug Administration recently launched what it's calling the "Bad Ad" Program to encourage doctors to report misleading promotional activity by drug companies, which could make interactions between sales reps and doctors even more delicate.

GlaxoSmithKline of the U.K. said bonuses for its sales reps will be determined, in part, "by a sales professional's adherence to the company values of transparency, integrity, respect and patient-focus." Glaxo said doctors want to see fewer reps, and those they do see need to provide more useful service that helps improve patient health.

Merck of Whitehouse Station, N.J., in 2008 began basing a portion of its sales reps' compensation on how much they promote what the company calls "trust and value" among doctors. "We basically ask physicians how they feel about us in terms of trust, and we changed the incentive structure for reps to include that," said Bob McMahon, senior vice president of Merck's U.S. commercial operations.

Merck now surveys doctors about how much they value the knowledge of Merck sales reps and whether they think reps are balanced and transparent in how they discuss a drug's risks and benefits. Sales targets are still part of the incentive structure at Merck, McMahon said, which he declined to quantify.

Merck and Glaxo also have decreased the volume of sales visits to doctors. SDI, a Plymouth Meeting, Pa., health care data provider, said sales calls by Merck reps dropped 16% and Glaxo rep visits by 7% in the first half of 2010, versus the last six months of 2009.

Other pharmaceutical companies declined to comment for this story.