

INNOVATIVE STRATEGY

**OTC PROFIT BOOST – 8 WEEKS MAKE A DIFFERENCE**

Many OTC manufacturers do not realise full profit potential. An innovative approach helps to realise these hidden profits: a “Profit Boost” programme embraces a range of influencing market factors, changes in the competitive environment and in distribution.

Historically, most manufacturers of Over-the-Counter (OTC) pharmaceutical products have been able to enjoy relatively high returns on sales; particular evident when compared with those achieved on sales of typical branded consumer goods.

A key reason for this phenomenon is the different distribution channel structures of the two sectors across Europe: whilst brand manufacturers often have to deal with the highly concentrated purchasing power of food retailers, in many countries OTC manufacturers are challenged by a fragmented market of independent pharmacies and few pharmacy chains. And as retail market environments become more dynamic, OTC market changes are driven by:

- **Fast growth of online pharmacies**, which results in new pricing rules and puts margins under pressure. At the same time it leads to new opportunities by using online sales measures and targeting new customer groups.
- **General market consolidation**, with growing pharmacy chains, franchises and co-operatives across Europe, having a greater influence on more outlets, redirecting them towards a uniform sales strategy.
- **Changes in consumer behaviour – growing trend towards self-medication**, as the internet makes it easier for consumers to gain detailed information on appropriate therapies and medicines.
- **New (online) information seeking behaviour by both consumers and by pharmacists and GPs**, providing new possibilities for the marketing and sales departments of pharmaceutical companies to develop innovative touch point management.

Changes such as these demand a systematic screening of all key sales functions to activate hidden profits and to foster competitive advantages. SEMPORA has developed an innovative project scope called Profit Boost, which takes all relevant marketing and sales aspects into account. (see figure below)

OTC manufacturers were able to achieve high yields on sales

A changing market environment challenges OTC manufacturers



**THE PROFIT BOOST FRAMEWORK**

The SEMPORA Profit Boost approach systematically screens all relevant marketing and sales activities for additional profit potential

Profit Boost is a new, pragmatic approach for quickly optimising OTC manufacturer profits. Based on its detailed knowledge of the healthcare market, SEMPORA has developed a catalogue of hypotheses and benchmarks for OTC manufacturers – these form the backbone of such profit optimisation programmes, in which sales functions are analysed systematically to identify hidden profit yields.

#### Typical Profit Boost drivers

Typical examples of underperforming areas identified by a Profit Boost analysis and that can be converted into additional profit drivers are:

- **Pricing strategy** does not exploit margin gaps left by competition.
- **Over-generous trade terms** to wholesalers.
- **Poor return on investment** from **ineffective marketing campaigns**.
- The **segmentation of pharmacists (and GPs)** does not reflect the inherent potential and leads to an **ineffective allocation of sales force resources**.
- **Sales force capacities** are **disproportionate** to **the competitive environment**.
- **Weakened market position** due to an **insufficient realisation of sales activities** and not reaching according objectives.
- **Ineffective communication** between **the sales force** and the **sales service functions**.
- **High costs** and **low efficiency** of **third-party sales partners**.
- **Underdeveloped activities** in **growing market segments** despite established sales / product competencies.
- **Line extension potential** remains **unutilised**.
- **Unbalanced budget allocation** of traditional and online marketing.
- **Cost intensive** and **weak contracts** with marketing agencies.
- **Slow reaction to** competitors' activities and market changes, resulting from poor coordination of sales and marketing functions.
- **Unrealised potential** due to failing **'touch point management'** (strategy for offline and online interaction with customers).

The end of the eight weeks long Profit Boost programme is marked by:

- The identification and prioritisation of the most important opportunities.
- A business case for the quantification of all potential improvements.
- First concepts and ideas on how identified potential can be realised.
- A road map to break down the next steps and to prepare the implementation phases.
- Engagement of all employees connected with the programme results and those who will be highly involved with implementation programme work.

This compact but comprehensive approach has been designed to require only a modest investment. The profits realised are usually many times higher than the cost of the project.

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