Best Practice

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Is this the future of marketing? Experiences drawn from a world-class market leader

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Abstract

Pharmacia is a fascinating case. The story demonstrates how a creative marketing strategy transformed a small firm into a global giant. The secret behind the success had to do with developing stronger partnerships with opinion leaders in the market. Through these partnerships — which involve mutual exchange of knowledge — genuine added value was built up. Vital interaction took place at Pharmacia's large symposia, which were also the basis for extensive communication at a distance. This strategy, here called 'CRM 2.0', resulted in loyalty that corresponded to a market share of 60 per cent and about US\$500m in sales per year.

The case study illustrates that the term 'customer' can be quite complicated. It also shows that there are many more factors than merely customers, suppliers and competitors which are important for the modern business enterprise. Since these other factors are not central in traditional models, the term 'X factors' is suggested. Furthermore, the world is not about permanent states but about changes over time. Instead of static structures one should think of the customer cluster, the company and the whole business environment as flows of events. Such a perspective makes it easier, among other things, to identify business opportunities.

Editor's note

The following case study is far from being a run-of-the-mill example of direct or interactive marketing; the product, its purchasers, its end users and its other stakeholders form a network of needs very different from the everyday experience of most marketers. It is being published nonetheless both for the considerable human interest of its story, and also because the author, just because he looks at marketing from an unusual angle, is able to ask some searching questions, and even perhaps to offer some answers to those able to transpose his prescriptions for their own circumstances.

Introduction

Pharmacia is a fascinating case of forceful expansion. It demonstrates how a creative marketing strategy transformed the small Swedish pharmaceutical firm Kabi into today's world-beating Pharmacia Corporation. This story includes the world's first project where DNA

technology was used to develop a pharmaceutical: growth hormone. The story also includes a brilliant marketing strategy launched after the core product was developed. The strategy was quite complicated, but it led to a market leadership worth billions of dollars and better treatment of patients. This story is something for many companies to learn from.

The case study was conducted in Sweden during 1991–2001. About 200 people inside and outside Pharmacia (including former employees) were interviewed. Numerous written sources and photographs were used as well. The theoretical starting point was not a specific theory; rather the approach was as open as possible.¹ The overall goal was to investigate all the relevant factors that affected the process which led up to a global pharmaceutical company. The time frame was about 100 years. In-depth case studies of pharmaceutical companies are rare, partly due to the problem of getting access to data, and partly because of the very complex empirical material. This paper is to a large degree based on part of a doctoral dissertation, but the extraction of data, some updated empirical data and, not least, the analysis are new.² The specific focus here is on the character and importance of the innovative marketing strategy that the company developed after the DNA project had succeeded.

Background

Pharmacia Corporation is one of the world's foremost and fastest-growing pharmaceutical enterprises. Its research investments exceed US\$2bn annually. The total sales reached US\$13.8bn in 2001. The company has 59,000 employees spread across more than 60 countries.

Pharmacia is the outcome of many firms having merged or been bought up during a period of over 140 years. The companies that are woven into the concern have their roots primarily in Sweden, Italy and the USA. This paper concentrates on the Kabi line, which is the part of Pharmacia deriving from the Swedish firm Kabi in Stockholm. The reason is that this, in the author's opinion, is the most interesting part of the company. It is also the part that in total has generated the most economic success, both because of brilliant opportunity detection and research, and because of innovative marketing.

To really understand the marketing issues, one must put them into a wider context. Therefore one first needs background information. At the end of the 1960s, a professor at the Karolinska Institute persuaded Kabi's research director to examine the possibilities of commercial production of growth hormones. The project was successful, and built upon a method developed by Professor Paul Roos at Uppsala University. Growth hormone was extracted from the pituitary glands of deceased humans. The product Crescormon was launched in 1971. It was the first growth hormone to be registered as a pharmaceutical. When treated with Crescormon, children suffering from stunted growth due to hormone deficiency could be seen to grow centimetre by centimetre. It was regarded as a miracle.

Biological research was making enormous progress at universities throughout Europe and the USA. The mystery of the DNA molecular structure was finally solved by James D. Watson and Francis H. C. Crick

The marketing context

Opportunity detection

in 1953. This achievement has been called the greatest scientific triumph throughout history. Further biological research resulted in the genetic code being cracked in 1966. The discovery of restriction enzymes, together with other discoveries during the 1970s, opened the gateway to the DNA technology. This revolution was carefully monitored from a very early stage by Tord Carmel, who was stationed in the USA on behalf of the company. He was an 'opportunity detector', a core component in state-of-the-art marketing.

The San Francisco-based company Genentech was founded in 1976. It was the first company in the world to specialise exclusively in the field of DNA. Carmel stimulated contacts between Kabi and Genentech, resulting in an alliance in 1978. Its first outcome was a DNA-modified plasmid (a DNA sequence), which enabled colon bacteria to produce human growth hormone. This breakthrough was a world sensation. The joint project's fulfilment would not have been possible without venture capital supplied by the Swedish State Investment Fund.

Trigger of mental sea-change

In 1981, Kabi inaugurated its new and very advanced production facilities in Sweden for the cultivation of genetically modified bacteria. But at the same time big problems came up. Public opinion, questioning the new DNA technology, grew in strength. However, in 1985, it was revealed that some patients had contracted the fatal Creutzfeldt-Jacob disease. Those patients had been treated with growth hormone (extracted from pituitary glands) produced at a university in the USA. These incidents caused fundamental changes in the public attitude toward DNA technology. The use of genetic engineering suddenly appeared to produce 'safer' medicines than those produced from biological sources. A mental sea-change had taken place.

In 1985 Kabi's growth hormone, which was produced by the use of DNA technology, was approved by the licensing authorities. The product was to be named Genotropin.

The successful marketing strategy

The new DNA technology soon attracted many powerful competitors into the growth hormone market. This meant that marketing would be decisive for whether Pharmacia's growth hormone was to be a success or a financial catastrophe. Very large resources had been invested to obtain the hormone with DNA technology, and now it was imperative not to lose the marketing war.

The internal organisation was an important basis for the marketing. In 1984, an independent business area for growth hormone was formed. This led to a coherent team with 'open doors' between different functions.

The brilliant idea

In November 1985 the marketing director, Bo Ahlstrand, had a meeting with his colleague Linda Fryklund and asked: 'Why don't we develop an injection pen?' He envisaged an automatic syringe that made things easier for the patient. Until then, the patient was required to prepare each injection by mixing growth-hormone powder with water, which many found impossible outside a hospital. This was the beginning of the successful marketing strategy. The aim was to try, in spite of small

economic resources, to attain a dominant position rapidly by concentrating on three cornerstones.

The first cornerstone was *convenience*. Patient-friendly methods for administering the pharmaceutical would be developed through interaction with carefully chosen target groups. The centrepiece of the convenience products was the injection pen, whose first presentation occurred at a symposium in Paris during the spring of 1988.

The second cornerstone was to conduct and stimulate *clinical research* in collaboration with research-oriented physicians. At this time, research on growth hormone was not extensive, so it was believed that doctors would appreciate the effort. Naturally, the collaboration would call for a comprehensive dialogue, but dialogue alone was recognised to be insufficient. There had to be real substance in the interaction.

The third cornerstone was to give professional *service*. This was given the trademark of Growth Service, and it came to include the database KIGS as well as large international symposia, training courses and educational material.

Which were the target groups? In this industry, the normal procedure is to try marketing a pharmaceutical to as many doctors as possible. This strategy was to be adopted by the company's main competitor. Among other things, it would have entailed a massive sales force of several thousand and broad, very costly direct marketing to many thousands of people. Pharmacia chose a completely different target-group strategy. The company focused almost solely on what it called opinion leaders, meaning highly specialised physicians or researchers. In this case, they were paediatric endocrinologists — children's doctors who had specialised in the hormone system. To begin with, the company used careful information retrieval to identify 250 such opinion leaders.

Further important groups were paediatricians, school doctors and school nurses. Today, this category totals about 30,000 selected persons, compared with the opinion leaders who, with time, grew to number 2,000. What can be said, then, of the large group of general practitioners? The diseases in question are relatively rare, and only around once every other year does a general practitioner meet a patient with deficiency of growth hormone. Consequently the role of general practitioners, in the case of growth hormone, was to see that the patients got to the specialists. The general practitioner group was not very high priority for the company's marketing communications.

A relevant issue is how the patients came into the target-group picture. It has long been a rule that pharmaceutical companies must not market themselves to patients. However, in Pharmacia's case it was important to disseminate information to patients, not least so that they and their relatives would be observant in noticing possible growth ailments at as early a stage as possible. If one waits too long, the ailments become incurable. How was the problem of reaching the patients with information solved? One way involved personal connections with patient associations, which in turn could carry on dialogues with patients and relatives. Among the most creative ideas that emerged was to print growth curves on milk packages in Italy.

Partnership with opinion leaders

During recent years, the Internet has been a great aid. Due to the Web, private individuals as a whole have become more interested in — and aware of — the opportunity to seek information actively. Through its homepage, the company captures parents who have become worried about their children's growth rate. The company has also worked actively with links to the homepages of patient associations and interest organisations. The innovative marketing strategy is summarised in Figure 1.

More about Growth Service

In the mid-1980s there was an unsatisfied need for research on, for example, the effects of growth hormone and the use of diagnostic aids to identify children suffering from a deficiency of growth hormone. In collaboration with the opinion leaders, the company produced and distributed aids such as growth curves and height scales. It also offered training for identification of children with serious growth problems. These courses, arranged together with the opinion leaders, were given to medical personnel and to patients. For this purpose, suitable literature was published in many languages.

Among the larger and more important efforts made were the international symposia. The first took place in the autumn of 1986, and 30 more have followed since then. At these meetings, 600–1,000 leading researchers meet from all corners of the world to exchange knowledge, ideas and information. The meetings also had additional value for the company's personnel, who continually acquired knowledge about the field and could thus serve better as partners in discussions of growth problems and their treatment. The agenda of these symposia was set in cooperation with some of the world's pre-eminent researchers.

A 'together strategy'

Organising meeting arenas

Figure 1: The marketing strategy for growth hormone

Variety of interaction over time

Most of the dialogue and interaction that the company maintained with persons in the target groups during each year was related to the symposia. A great deal of interaction occurred as preparation for coming symposia, and as a follow-up to previous ones. The symposia were something exciting to communicate about.

In concrete terms, the distance communication consisted of dialogue by post, telephone and e-mail, as well as the target persons' visits to the company's homepage and KIGS database (see below). Besides letters and other simple information, the company distributed high-quality materials. Scientific publications were a key component of these. One doctor stressed the importance of a book that belonged to the effort: 'It is a Bible. There is nothing like it.' Videoconferences, too, were certainly prominent means of communication. The company's representatives at subsidiary firms also handed out a large amount of information personally.

The follow-up to symposia was conducted through the production of newsletters, photographic slides, proceedings and video tapes. Newsletters and videos appeared six weeks after each meeting and presented the high points. Six months after the meeting its proceedings were published, containing all the lectures and discussion. The material made it easier for specialists to spread information locally to their colleagues. This was extremely important, as it stimulated the conference participants to disseminate the message further at home. Figure 2 shows how the interactive communication was built up around the large symposia.

Communication boosters

Another large and important Growth Service investment was KIGS (Kabi International Growth Study). KIGS was launched in 1987 in the form of a database focused on outcome research — that is, research intended to optimise the treatment of growth disturbances in children and young people. Since its start, data on effects and side-effects have been collected from 31,000 patients in more than 45 countries. Such detailed patient documentation in a database is unique in the pharmaceutical

Figure 2: Interactive marketing in connection with a symposium

Perfect marketing instrument

industry. The international part of the KIGS database is controlled by an international scientific committee. Doctors who participate in KIGS have access to the KIGS reports and can also direct specific questions to the database, which is a further aid to both their medical and their scientific activities. KIGS enables one to search for extremely rare ailments. Even a super-specialist may meet such patients only a couple of times during his or her lifetime, whereas KIGS has collected a number of examples (often 10–20 cases) from around the entire world. This provides unique possibilities for specialists to retrieve facts about similar cases. As a marketing instrument, it is perfect. So far, as KIGS has been developed, nothing can compete with it today, despite attempts to do so.

Knowledge exchange

More on clinical research

The clinical research generated knowledge which could be used in interaction with customers, not least through education for different target groups. This research had two sources of support: growth research centres and minor sponsoring. The former category involved more contractual, long-term and systematic collaboration between Pharmacia and universities, with large commitments for both parties. The first growth research centre was inaugurated in 1988 in London. Funds could be obtained from many companies – the key point was *knowledge exchange* between the parties.

The results of the marketing strategy

With its launching of Genotropin, the company (in cooperation with Genentech) became the first in the world to produce growth hormone by genetic engineering. However, several competitors were hard on its heels: Eli Lilly with Humatrope, Novo with Norditropin, Serono with Saizen and BTG with Zomacton. In 1985 the company had a turnover of only about SK1.3bn, and even ran at a loss. By the industry's standards, it was thus a small operation with weak resources. In contrast, its competitor Eli Lilly was probably 20 times as large at that time and could plausibly have been expected to emerge as the dominant actor in the market. Instead, Pharmacia's marketing made it the big winner, with a market share of around 60 per cent. The next competitor probably achieved only 30 per cent — with the same core product.

Impressive loyalty creation

To a great extent, the secret behind this economic success was the unique marketing strategy. The results of the strategy, in conclusion, were customer knowledge and customer support that together yielded customer satisfaction. This, in turn, led to loyalty, which ultimately generated enormous profits. Since it was launched, Genotropin has been Pharmacia's best-selling product most years. In 2001 the company sold US\$511m worth of Genotropin (see Figure 3).

What have we learned?

When analysing the company's marketing strategy, one notices that it contained few of the ingredients which are normally regarded as belonging to marketing. What Pharmacia conducted was not traditional relationship marketing. It was something deeper.

Figure 3: The results of the marketing strategy

Importance of core value

Initially, the marketing dealt with detecting opportunities and then bringing about cooperation with strategic research partners (Genentech). After all, success is not only created by focusing on market communication with customers. Equally important is to identify customer needs and actually *develop the core value* that the customers demand. This last-mentioned step, as the case of Pharmacia showed, may entail starting a comprehensive research project.

'Surgical marketing'

What happened after the DNA technology project was carried out can best be described as *surgical relationship marketing*, based on partnership with opinion leaders. This kind of marketing was simultaneously interwoven with research. By 'surgical' is meant that each individual concerned is very carefully selected, and that the communication with each individual is extensive and personally tailored.

The Pharmacia case study gives a foundation for developing an extended model of relationship marketing, which one can call 'CRM 2.0'. The components of such a new model, or success formula, can be summarised with seven pieces of advice:

- create partnerships with opinion leaders on the market
- think cooperative marketing — a 'together strategy'
- organise meeting arenas
- see marketing and product innovation as inseparable processes
- go for genuine added value
- invest in a smart IT strategy — but focus on content
- do not forget the X factor.

The concept of customer

Before concluding with a call for a new visual model, there are some reflections to be made. First of all, what is a customer, really? In many industries, not least that of pharmaceuticals, the market consists of many different actors with different roles. One is a purchaser, one is an end

user, one is a prescriber of solutions to customers' problems and another is a patient's relative. Each category of actors has its own roles. In the case of Pharmacia, doctors were not only prescribers (or customer directors), but also participating actors in knowledge development. The case shows that accepted theoretical concepts such as *customer* are not entirely uncomplicated. A good marketing strategy heeds this fact, and ensures that resources are devoted to the persons who are most important to interact with. These need not always be the final consumers of the value produced by the company.

Marketing clusters

Moreover, one should ask what dictates that the marketing activities should be done by the company itself? Perhaps one must open up to perspectives where companies join with other actors to form clusters, which in turn act as marketers on the market. The strong loyalty resulting from the partnership inspired a feeling of belonging to 'the Pharmacia community'. Thereby, trend-setting actors on the customer side became ambassadors for the products and methods of treatment that the company represented. Suddenly it was no longer the company alone that marketed its products. The whole knowledge cluster acted as a marketer of Genotropin and the peripheral added values.

Melting pot of marketing and research

In the Pharmacia case research became strongly woven into the marketing, and vice versa. It can even be said that the concepts of *research* and *marketing* are not well suited to describing the reality which was shaped by Pharmacia. What the company engaged in was development together with opinion leaders on the market. Hence, it was a *joint knowledge experience* that all parties benefited from.³

Genuine value

The key to forming partnerships, as seen above, was much more than just interactive market communication. Rather, it was that the company, alongside communication, developed and offered genuine added value. Something definitely valuable was provided. To offer added value is, in itself, not very unusual. The unique feature was the sophisticated manner in which *genuine* added value was created. The clinical research (including support for growth research centres), the advanced convenience project, the KIGS database and the large symposia — these were enormous added values for the target group. But to bring them about, quite substantial knowledge was required from the company's side. A prerequisite, too, for being able to provide genuine added value was that the company concentrated on a few well-chosen persons instead of the entire market.

Time leadership

In the modern world, IT strategies are an important part of marketing. Pharmacia created advanced knowledge databases for selected doctors around the world. They developed systems so that doctors could go online long before the Internet revolution. These proactive moves generated a *time leadership* in contrast to the competitors who waited until the Internet breakthrough.

Towards a new model

Most marketing models focus on customers.⁴ Some of them also focus on suppliers and competitors. This is in fact the same view of the company's outside world as in classical economic theory from the days of Adam

The 'X' factor

Smith. Take the network model as an example.⁵ Is it really just a network that is important to consider in the new age's business environment? No — one needs models that also take account of the 'X factor'.⁶ What, then, can be an X factor? The definition is: 'External factors that are important to a specific company, but not central in traditional marketing theories.' In the Pharmacia case there were plenty of X factors that affected the developments: the discovery of DNA structure, public debate related to fear of genetic engineering, the Swedish State Investment Fund, the researcher Paul Roos who provided a method of growth hormone production, and so forth.

The time dimension

Besides the realm of X factors, the case shows that everything is about *changes over time*. The whole world is constantly changing. Even the market actors are processes in themselves. They are not static boxes, but flows of action and thinking through time. But is this fact mirrored in traditional models? Take again the network model as an example. A network is a metaphor for a structure, and stands in contrast to a real world that can mostly be characterised by changes over time — processes. One needs a new view of reality and a visual language for description of business activity and the outside world through time. Ongoing research at Örebro University aims to create such a new view and visual language. The outcomes of an application of such a new tool will be new marketing ideas that can lead to new growth miracles.

For whom is the concept 'CRM 2.0' relevant?

The marketing philosophy described in this paper is not relevant for all companies and organisations. But for some it can be very successful. First of all, the approach is appropriate in cases where *each customer is very important*, for example in sectors such as the telecom systems industry, the energy plant business and shipping. It is not so appropriate when each transaction is not so important, as is the case in many consumer goods areas such as retailing of sweets, clothes and bicycles.

The approach is relevant in cases when there exist *gatekeepers* on the market. In the construction business there are gatekeepers like architects, constructions engineers and designers. If one sells toilet chairs it can be very plausible to create partnerships with the gatekeepers. The same is true for sectors like travelling, tourism and music. If a record company wants to sell more of an artist's CDs it can be very plausible to create partnerships with disc-jockeys, music journalists and radio editors.

The 'CRM 2.0' approach is not a good approach if the business logic is selling products or services one at a time to customers. This is often the case in, for example, estate agencies or selling yachts. But in sectors where the logic is *repeating transactions* the approach is relevant. This demands also that the first criterion is fulfilled, that each customer is important, which means that there are considerable amounts of money involved in the transactions. Such repeating patterns with important customers can be found in branches such as the car dealer business (selling to both companies and consumers) and the timber business (selling to saw or paper mills).

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