

Marketing Niches

Authors:

Michael T. Rupp, PhD, RPh

Professor of Pharmacy Administration

Midwestern University – Glendale

Sondra J. Peters, MBA

Assistant Professor of Pharmacy Administration

Midwestern University - Glendale

Learning Objectives

- Explain why a community pharmacy may want to offer specialized services
- List examples of specialized services that community pharmacies have implemented
- Describe the components of a successfully marketed pharmacy service

Learning Objectives

- Discuss the factors that influence physician referral of patients to a pharmacy service
- Describe the steps in the service adoption process
- List and explain the steps involved in planning and conducting a personal sales call to market a specialized pharmacy service

Key Terms

Need - a state of felt deprivation. A perceived difference between what *is* and what *should be*.

Want - a desire for a specific satisfier of a more fundamental need.

Demand - a want that is backed by a willingness to exchange value in return for a specific satisfier. Demand is essential for voluntary exchange to take place.

Product - anything that can be exchanged to satisfy a need or want. May be tangible or intangible (i.e., service). Products are merely vehicles for delivering *benefits*.

Two Definitions of “Market”

- All persons sharing a need or want who may be willing and able to engage in exchange to satisfy that need or want
- The separation or “gap” that exists between parties interested in an exchange


Definitions of “Exchange”

- The process by which values are traded between parties
- The act of obtaining a desired object from someone by offering something in return
- * Exchange is the central concept in marketing

What is a Service?

A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product.

Characteristics of Services

- Intangible
 - Benefits are not readily obvious or apparent
 - Buyer cannot know results prior to purchase
- Inseparable - from the provider
- Variable - somewhat different for each client
 - Cannot be mass produced  Must be customized to some degree for each client
- Perishable
 - Cannot be stored; downtime is not recoverable

Features vs. Benefits

- Features are characteristics of a product or service that are under the control of the provider.
- Benefits are outcomes of a product or service that are desired and valued by the client.
- Providers offer features. Consumers buy benefits.

Important Features of Services

- **Personnel** - especially important as an organization transitions from a product orientation to a service orientation is to recruit, develop, and retain employees who can support the service
- **Quality** - must have systems to measure, monitor, and manage the quality of service provided
- **Service Time** - clients want to maximize; providers need to control, so a balance must be struck

Important Features of Services

- **Waiting Time** - clients want to minimize, which can present problems for providers to control both cost and quality of the service
- **Supporting Technology** - can add value to a service, both real and perceived (which is also real!)
- **Packaging and Labeling** - services can be packaged and labeled just as products are to establish image and differentiate a pharmacy's service offerings from those of competitors

Why Market Specialized Services?

- Client/Patient Needs – that may not even be recognized by the client or patient
- Provider Needs – pharmacy staff have needs for personal and professional satisfaction, self-actualization, and a high quality of work-life
- Organizational Needs – to remain a viable economic entity, a pharmacy should diversify beyond prescription filling to create a more balanced portfolio of product & service offerings

Product/Service Life Cycle

Introduction

Growth

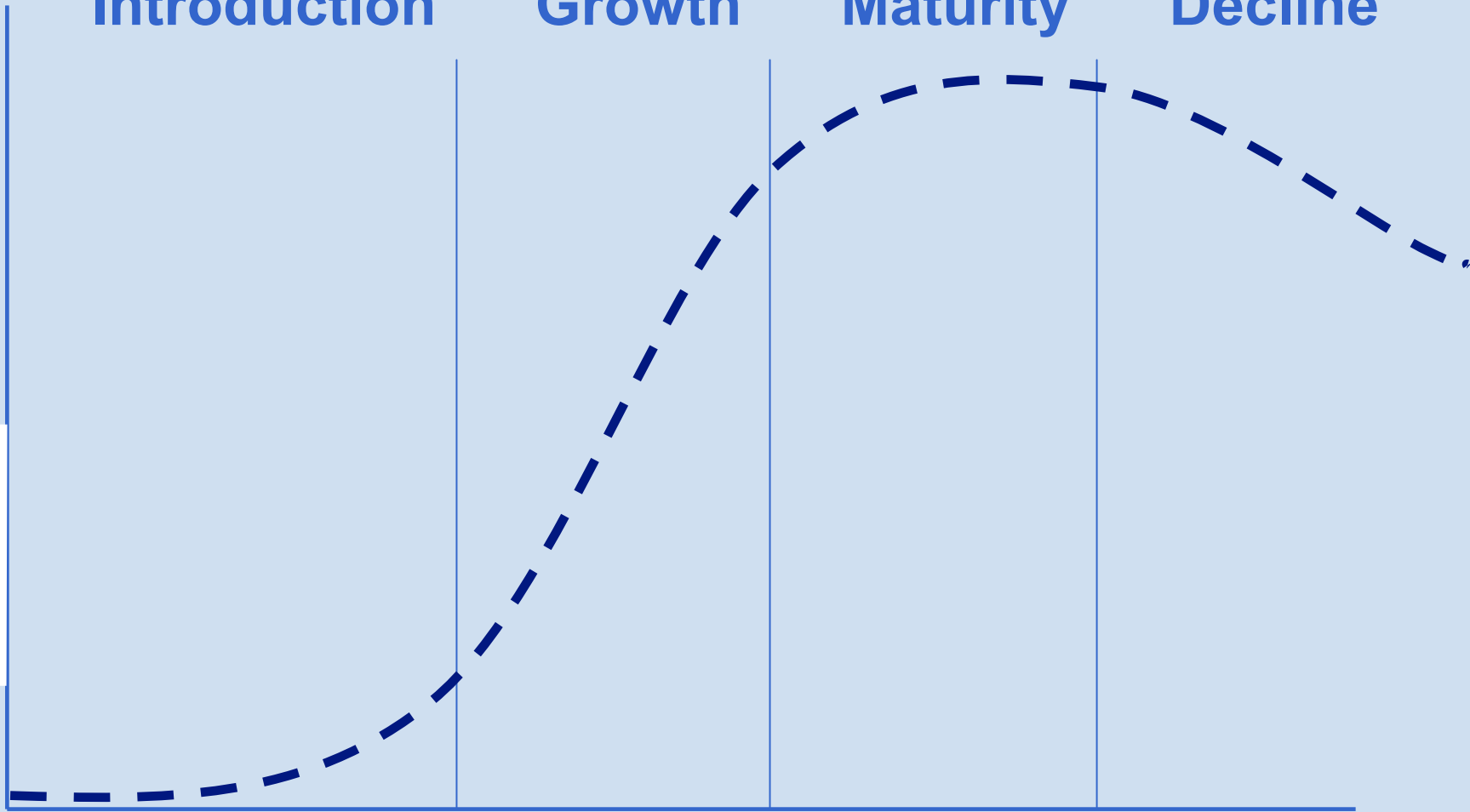
Maturity

Decline



Sales

Time



Specialized Services in Community Pharmacies

<u>Services/Products Offered</u>	<u>2000</u>
Compounding	83%
Nutrition	66%
Durable Medical Goods	66%
Herbal Medicine	64%
Health Screenings	41%
Ostomy	39%

Specialized Services in Community Pharmacy

<u>Services/Products Offered</u>	<u>2000</u>
Hospice	39%
Long-term Care	33%
Veterinary Pharmacy	27%
Patient Education Programs	26%
Pain Management	23%
Home Infusion	8%

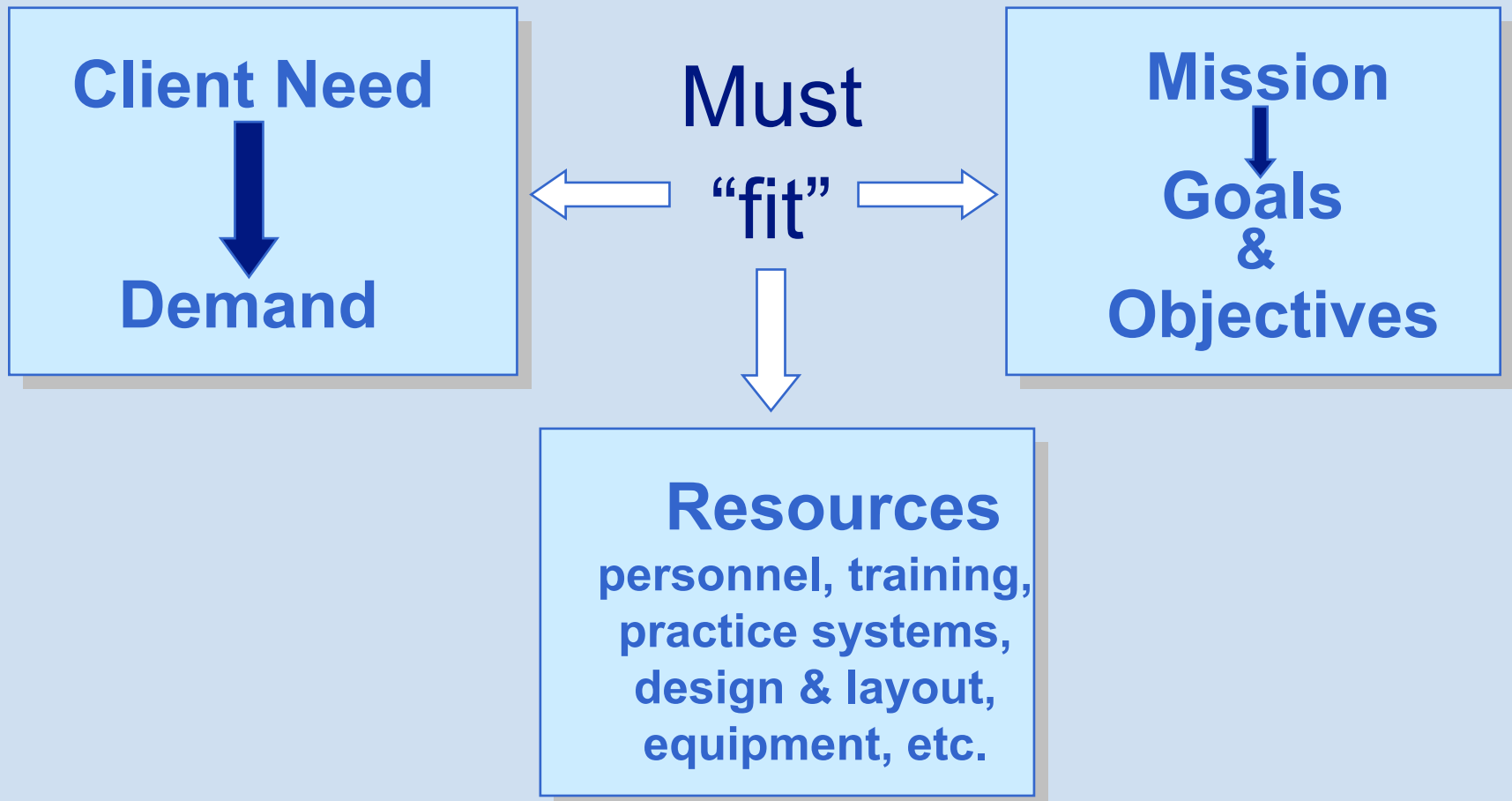
Source: 2001 NCPA-Pharmacia Digest

Disease-Specific Services in Community Pharmacy

<u>Disease State/Service</u>	<u>Offering</u>	<u>Charging</u>
Blood Pressure monitoring	57%	18%
Diabetes Training	41%	25%
Asthma Training	27%	26%
Immunizations	17%	79%
Anticoagulation monitoring	3%	46%
AIDS Specialty Services	3%	11%

Source: 2001 NCPA-Pharmacia Digest

Evaluating Specialized Pharmacy Services



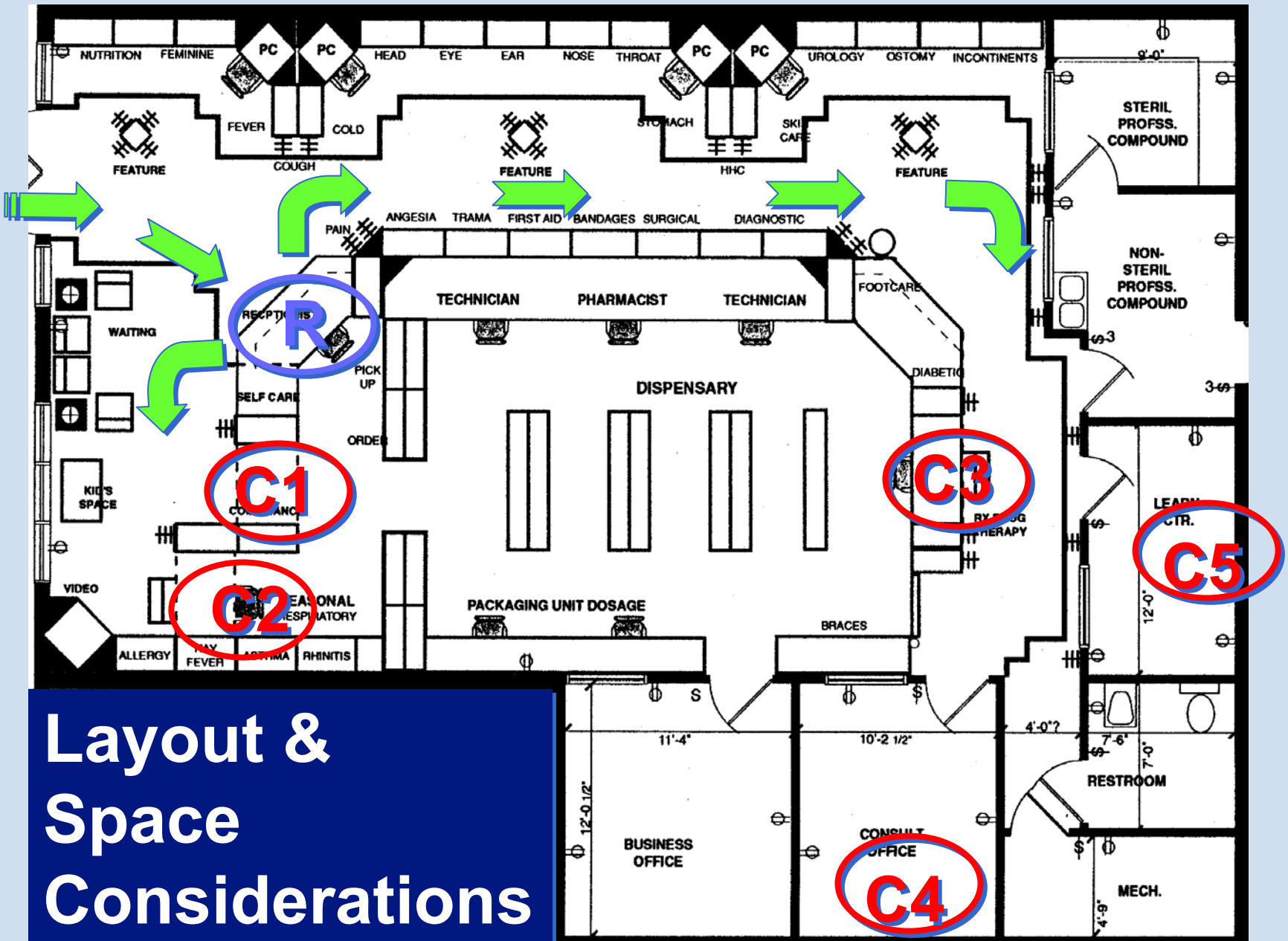
Establishing Client Need & Demand

- Do patients *need* it?
- Do patients, or physicians if a referral is needed, *want* it?
- Would they (patients, or third party payers if billing insurance) be willing and able to *pay* for it?

Mission

Mission - the purpose, or reason for existence of an organization

- Answers the question: “what business are we in?”
- And, importantly: “what business are we not in?”
- While goals and objectives may change, the mission does not change unless the business changes - then the mission must change



Layout & Space Considerations

R = patient receiving area

C = patient care areas

Evaluating Specialized Pharmacy Services



The Consumer's Decision-Making Process

Step 1: Identification of Need

- External Cues - family, health providers, advertising, popular press, many others
- Internal Cues - signs or symptoms of illness or need for health care

The Consumer's Decision-Making Process

Step 2: Search for Information

- Heightened awareness - increased sensitivity to relevant information
- Active information search
- Identification of alternatives

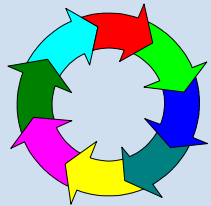
The Consumer's Decision-Making Process

Step 3: Evaluate Alternatives

- Attributes - perceived qualities or attributes of alternatives, both good and bad
↓
- Beliefs - about the importance and amount of attribute contained in each alternative
↓
- Attitudes - net positive and negative feeling about each alternative
↓
- Behavior - decision to buy or consume

The Consumer's Decision-Making Process

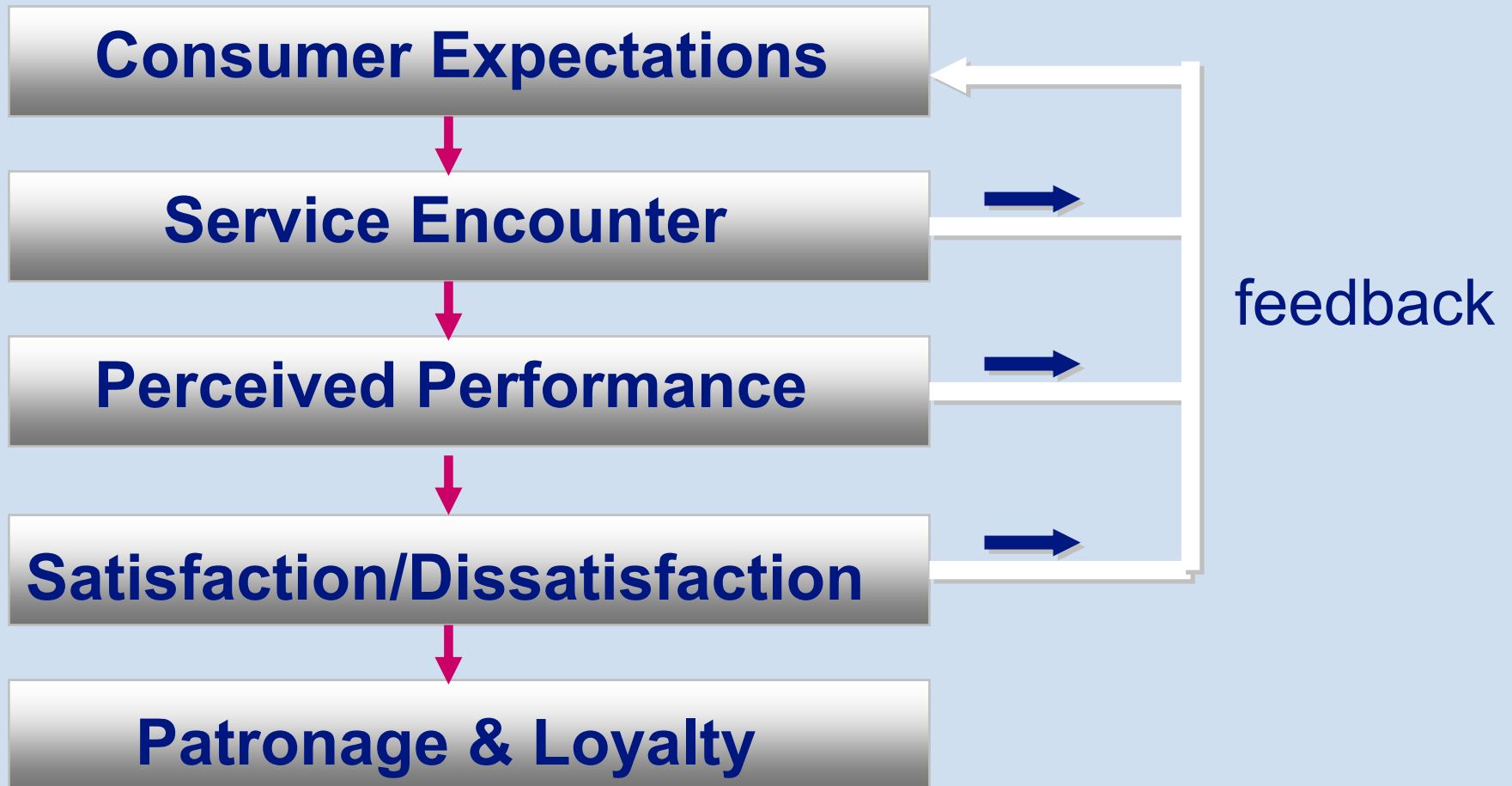
- Step 4: Choose/Select



repurchase decision based on . . .

- Step 5: Post-purchase Evaluation -
Satisfaction, or Dissatisfaction

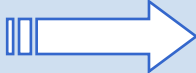
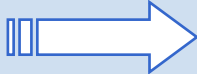
Pharmacy Image and Patronage Decisions



Patronage Motives in Pharmacy

- Convenience & Accessibility – includes geographic and temporal access to facility and pharmacist
- Personnel – technical and interpersonal qualities of professional and support staff
- Price - includes discounts, coupons, credit
- Services - clinical and non-clinical
- Environment – attractive design, logical layout and traffic flow, pleasant and inviting surroundings

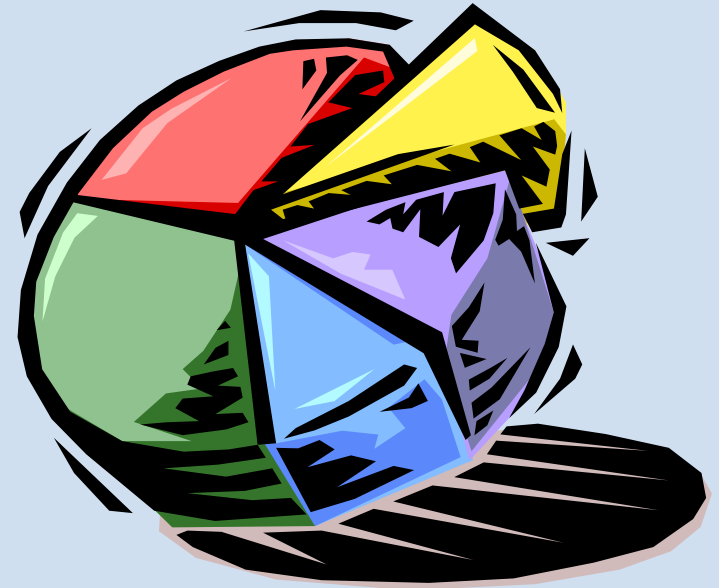
Factors Affecting Physician Prescribing / Referral

- Perceived effectiveness  benefits
- Perceived safety  risk
- Patient preference/satisfaction
- Cost to patient and/or insurer
- Physician characteristics – education and training, specialty, age, gender, etc.
- Miscellaneous - complexity of regimen, reputation of manufacturer and/or service provider, attitudes of peers toward therapy...especially opinion leaders

To Whom Do You Market?

“If you’re not thinking segmentation, you’re not thinking.”

- Theodore Levitt
Marketing Imagination



What is a Market Segment?

- A market segment consists of consumers who respond in a similar way to a given set of market stimuli (i.e., to a similar “marketing mix”)
- It is important that you ask and answer the question: “Who is my consumer?”

Possible Participants in Decision-Making Process

- Initiator – first thinks of, or mentions service
- Influencer - recommendation or opinion has an influence with the ultimate decider
- Decider - makes consuming/buying decision
- Buyer – exchanges value (i.e., pays)
- User - receives service and its benefits

What is Market Segmentation?

The process of classifying consumers into distinct groups that may require separate services or different marketing mixes

Why Segment the Market?

- People are not the same! They have different needs, wants, attitudes, interests and opinions
- They will exhibit different responses to products and services
- Identifying people who are similar in their response to a service allows us to target our marketing efforts, making them more efficient and effective

How are Markets Segmented?

- No one right way
- Segmentation considered part of both the science and the art of marketing
- Marketer looks for similarities within groups, and differences between groups, in characteristics that may affect their consuming behavior relative to a particular product or service

Requirements for Effective Segmentation Variables

- **Relevant** – to the consuming decision
- **Measurable** – to be able to quantify demand
- **Accessible** – must be able to “reach” segment with communications about the service, and delivery of the service itself
- **Substantial** – but not necessarily large, depending on objectives for the service
- **Actionable** – segment must be amenable to the development of alternative marketing strategies or mixes that will stimulate consumption of service

Market Targeting Strategies

- Undifferentiated marketing - a mass merchandising, “one size fits all” approach – virtually no targeting at all
 - Advantage - cheap, easy and efficient to implement
 - Disadvantage - in trying to please everyone, you run the risk of pleasing no one; also risky from the standpoint of developing a strong, clear image among consumers

Market Targeting Strategies

- Differentiated marketing - a middle-of-the-road strategy that attempts to focus marketing efforts on several key segments concurrently
 - Advantage – somewhat better able to tailor service mix to meet different client needs
 - Disadvantage – more expensive than undifferentiated approach, and you still risk not pleasing any single segment enough to get their business and their long-term patronage and loyalty

Market Targeting Strategies

- Concentrated marketing – selects one “first best” market segment, and devotes entire marketing effort toward it
 - Advantages - allows you to focus on building strong customer loyalty and satisfaction; results in a well-defined image, and a strong position vis-a-vis competitors
 - Disadvantages - all your eggs are in one basket. What if the segment disappears, or is not as attractive as you thought?

Selecting Target Markets

For a new service, it is usually best to begin with a concentrated approach that identifies and targets the “first best” market opportunity, with a strategy of starting small and extending to additional market segments over time as demand and resources allow.

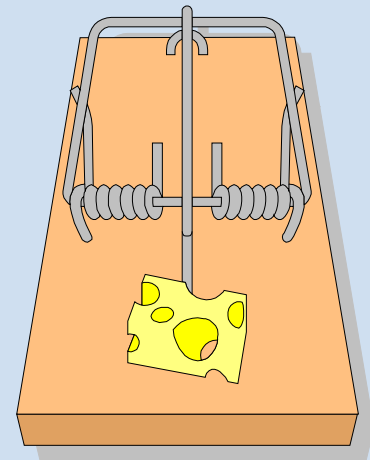
Where to Begin Marketing Your Service

➤ **Your staff!**



“Build a better
mousetrap, and the
world will beat a path
to your door.”

- *Thoreau*



Marketing Communications

- Public relations
- Advertising
- Personal sales

Public Relations

“What you do speaks so loud that I cannot hear what you say!”

- *Emerson*



Advertisements


Do you know your cholesterol level?
Do you know your HDL? Your LDL? Triglycerides?
Do you know what they should be?
Would you like to?


For a limited time, Family PharmaCare will perform a complete blood lipids panel for 50% off our regular price. For just **\$20.00** you get all the above. The test requires just a few drops of blood from a finger stick and the results are ready in about 5 minutes. Call today to make an appointment. You'll be glad you did!

Monday-Friday, 9 a.m. - 6 p.m.
Saturday, 9 a.m. - 1 p.m.

Full-Service Pharmacy University Square Shopping Center
(765) 497-7000 500 Sagamore Pkwy. West, W. Lafayette

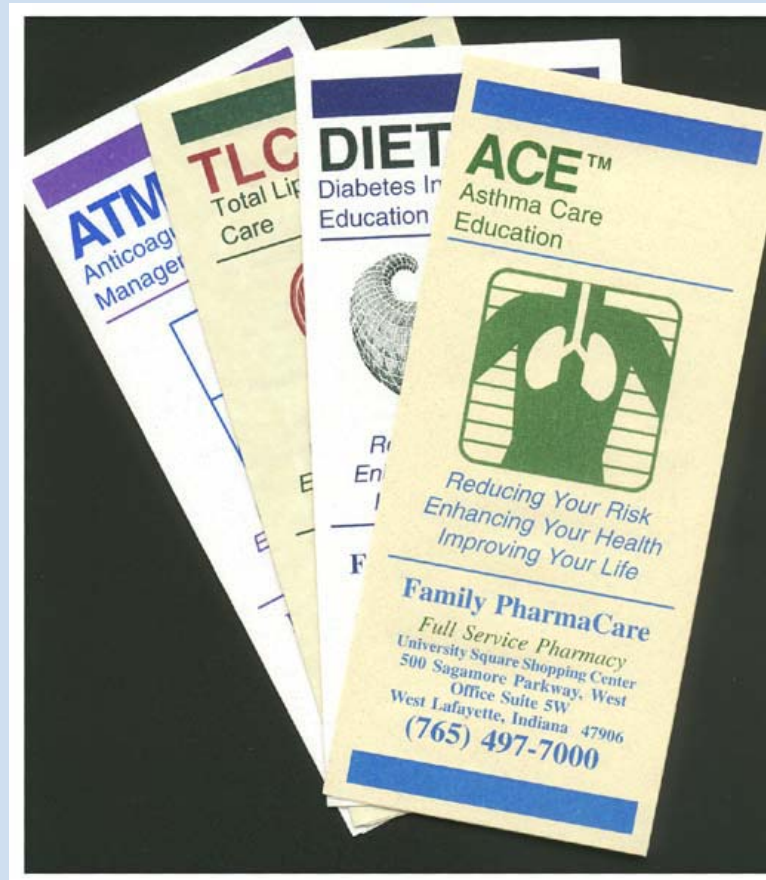
We accept most insurance plans.

 **Family PharmaCare**
Your health is our business.



Just north of Talbot's

Services can be branded, too!



Source: Family PharmaCare Center, Inc.

Personal Sales Objectives

- Enlist patient enrollment
- Gain physician support
- Receive physician referrals
- Encourage employee referrals
- Receive public support from thought leaders

The Service Adoption Process



Personal Sales Goal

The goal of all personal sales is to change the customer's behavior. To do so, you must convince the customer that:

- There is a clear advantage to change
- The change is compatible with existing values
- It is easy to make the change

Anatomy of a Personal Sales Call

- Planning the call
- Conducting the call
- Following up

Planning the Sales Call

1. Identify the Target Audience
2. Determine your Objective
3. Prepare the Message
4. Develop Communication Strategies

Planning

Identify the target audience

Planning: Target Contacts

- **Influence** - How much influence does this contact have in the community?
- **Referral Potential** - How many patients could this contact direct to your service?
- **Motivation** - How much direct benefit will this contact derive, and how closely aligned are these benefits to the contact's existing values?
- **Access** - How easy is it to access this contact?

Planning

The Prospect Priority Index

Contact	Influence	Referrals	Motivation	Access	Total
Dr. A	2	2	4	2	10
MCO-1	3	4	3	2	12
Dr. B	1	4	3	4	12
MCO-2	2	2	4	5	13
Dr. C	5	1	2	1	9

1=lowest, 5=highest

Planning: Target Contacts

- **Opinion Leaders**
- **Early Adopters**

Planning: Determine your Objective

Staff – identify and inform patients who are appropriate for the service

Patients – participate in service and/or ask physician about service

Physicians – refer patients to service

MCO – add service as covered benefit

Planning: Prepare the Message

To develop an effective message, it is important to have a clear understanding of the customer's needs and motivations.

Customer Motivators

- Patient care
- Time
- Finances
- Ego
- Convenience

Planning: Preparing the Message

- Advantages of change - List all the possible “problems” and identify each way that your service solves the problems that your customer faces
- Reinforcement of existing values - List all the possible motivators and identify each way your service supports these motivators

Planning: Develop Communication Strategies

- The indifferent customer
- The hostile customer
- The skeptical customer
- The entrepreneurial customer

Planning: Develop Communication Strategies

The indifferent customer – quickly assess what this customer values and attempt to engage him by clearly communicating how your service addresses these values

Planning: Develop Communication Strategies

The hostile customer – first determine why this person is upset; next, defuse the situation by demonstrating you understand this person's concerns; then address the issues they raise

Planning: Develop Communication Strategies

The skeptical customer – build rapport and address this customer's concerns with factual information and studies

Planning: Develop Communication Strategies

The entrepreneurial customer – be direct. Explain how your service benefits this customer specifically.

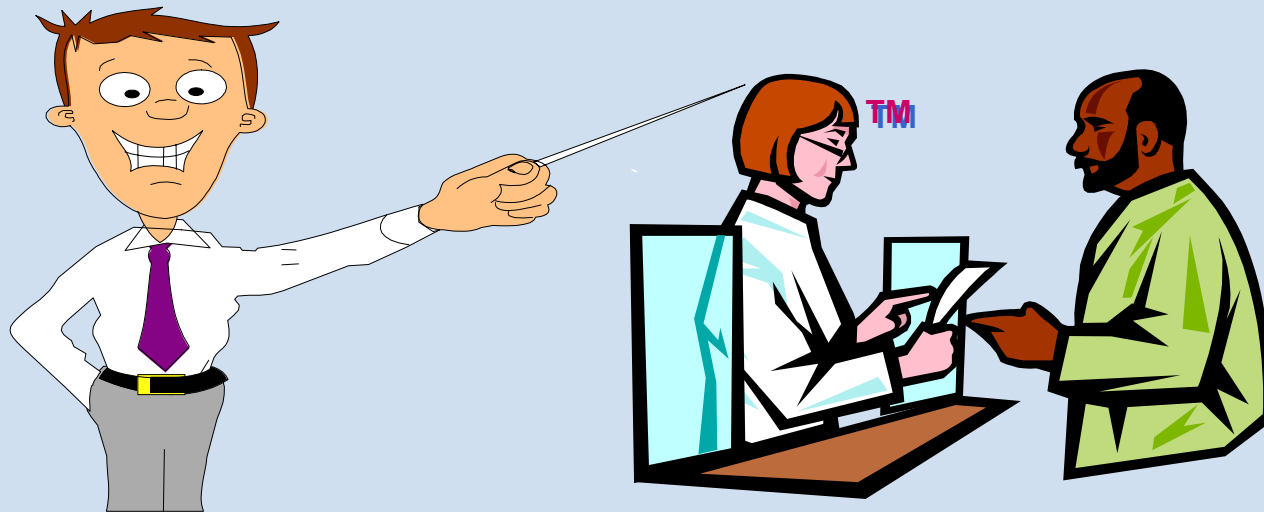
Conducting the Sales Call

Conducting the Sales Call: Be Prepared

- First, be prepared to address the customer issues.
- Second, outline the next step and make it easy for the customer to follow through.

Market Yourself!

Brand YOU!



Following Up: Debriefing

- Evaluate how effectively you addressed the issues important to the customer
- Determine where the customer started in the Service Adoption Process and where (s)he ended
- Decide what you can do to move the customer to the next stage in the Service Adoption Process

Following Up: Follow Through

- Address any remaining questions, concerns, or requests of the customer
- Honor all commitments you made
- Check to see if there are new issues that were not raised in the sales call
- Make sure the customer follows through with the agreed next step

Marketing, Pricing & Reimbursement Resources Available from NCPA

1-800-544-7447

