Measurement Mojo
THE THRILL OF PERFORMANCE

KPI Disconnects:

The impact on company performance and the Commercial Ratio

WHITE PAPER

PHARMACEUTICAL

Your data and your people hold the keys to optimized performance. But even when things are running well, system inefficiencies, team misalignment, and competing priorities prevent the company from reaching your true potential. Your own marketing and sales KPIs may actually be holding you back by telling you the wrong story.

The old adage "what gets measured gets managed" holds true, but what good is the measurement when it is incorrectly tied back to goals?

Measurement misalignment happens frequently across the marketing and sales functions. We use measures like "number of views" or "time on site" related to web visits but often cannot tie them directly to resulting sales or revenue.

Most companies face this type of KPI disconnect. Companies are measuring the wrong things or applying them incorrectly. And often, those KPIs are not directly tied back to the company's higher level financial goals or other Key Performance Indicators, making them more metrics than true KPIs.

Andrea Westmeyer, CEO

Andrea is Measurement Mojo's founder and CEO. She brings a laser-sharp focus on performance and results. She provides C-suite executives and brand management with insights and proven tools to identify internal friction and potential inefficiencies. The result: a much improved bottom line.

The most common measurement disconnects

For nearly a decade, Measurement Mojo has worked with pharma companies of all sizes and specialties to improve efficiency and optimize processes. By invitation, we have been asked to peek inside and dig deep into their inner workings and the external relationships with the companies that help them. We have been relied upon to identify the flaws and, just as important, to suggest the solutions for improved results.

That privileged access has provided Mojo with an insider's perspective on both what works and what is most likely to cause challenges in brand and company performance across the industry. We have leveraged that perspective to provide an honest, no-holds-barred view of the most common challenges discovered.

Five common KPI disconnects are responsible for the majority of the negative impact on productivity and sales. They are:

1

An excess of activity reporting with no context to understand the financial impact

2

Measurement of activity with no tie-in to spending

3

Limited details on what caused the changes in the trends

4

No actionable insights describing how to improve the KPI

5

No tie-in to financial metrics - i.e. revenue increases or expense reductions

Understanding the difference between KPIs and metrics

The very first challenge is our definition of Key Performance Indicators (KPIs). Counts like web traffic, banner clicks, impression counts, email opens are not KPIs so much as they are activity metrics. Without the context for the cost of each and the ability to tie them back to sales, they hold little value to understand their connection to goal-driven activity.

For example, outside vendors buying and placing media use measures that are often disconnected from company goals of revenue. They measure the things that are more directly under their control: number of impressions, share of voice, volume of web visitors, etc.. Metrics without the connection to the brand's ultimate goal(s – in this case, sales and revenue – cannot provide direct insights on how to improve their bottom line.

To be able to use the KPIs to measure our success and drive the changes for additional future improvements to efficiency and optimization, our KPIs *must* tie back to strategic goals and desired business outcomes.

Aligning KPIs and teams to company goals

THE IDEA MEASUREMENT BLUEPRINT℠

Measurement Mojo's deep experience in the pharmaceutical industry provides us with critical insights into what drives successful implementations.

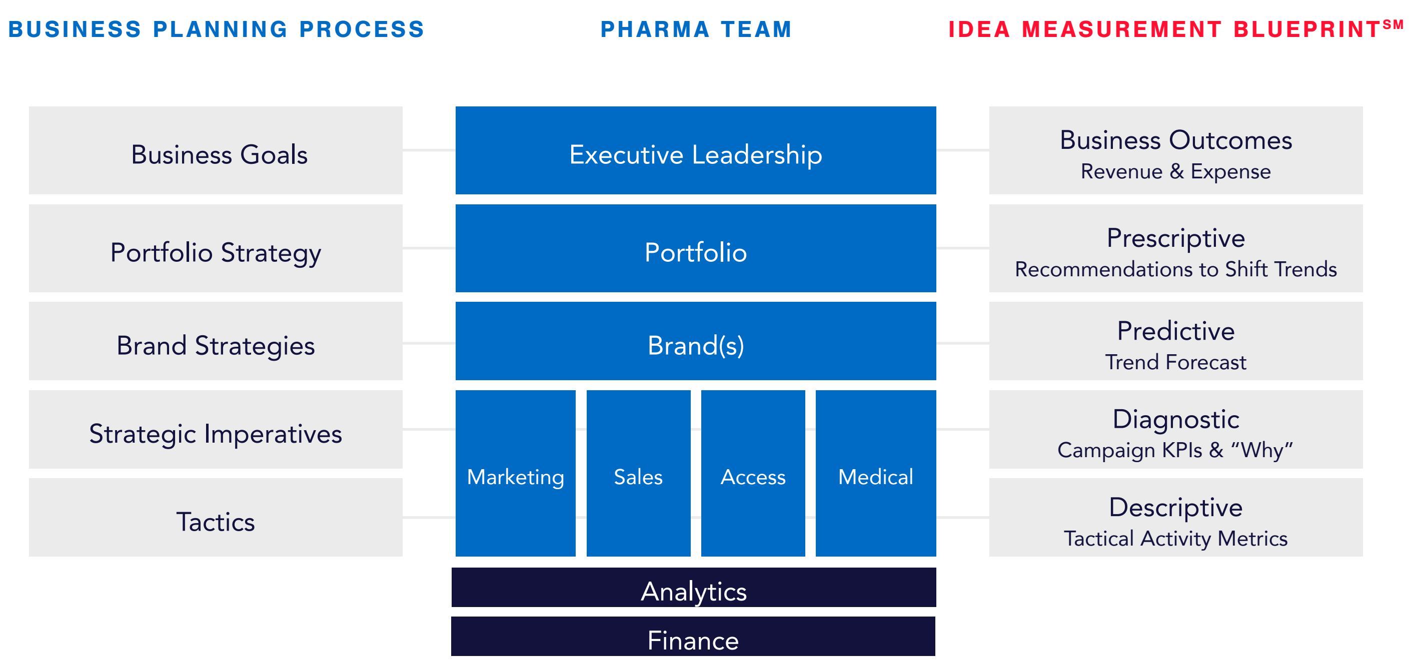
One insight is that in order to align the KPIs, our role must include creating the right environment for successful outcomes. This involves an assessment of the elements which would prevent implementation, including misalignment of people, processes, technology and information.

We perform a close examination of a client's internal systems and information, and integrate our subject matter expertise. In doing this, Measurement Mojo uncovers new strategies to align teams, prioritize actions, and better align operational actions to financial performance.

The proprietary IDEA Measurement Blueprint℠ is also designed to address this by focusing on five cascading levels of measurement, designed specifically to meet the information needs of each management group.

BUSINESS GOALS ALIGNED W/ROLE-BASED MEASUREMENT FRAMEWORK

Measure impact of strategic plan while providing performance information to all levels of the organization



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Case study

Measurement Mojo worked with a Top 10 Pharma company to assess both their direct to HCP (Health Care Provider) and DTC (Direct To Consumer) campaigns for a portfolio of brands.

Descriptive Metrics

Tactical level activity reporting. At campaign start, the agency provided web visitor volume and web traffic by source.

Diagnostic Analysis

Linking KPIs to investment and identifying causes of underlying patterns. As an objective third party, Measurement Mojo requested monthly spend levels by source from the media buyer (recognizing multiple agencies can be involved and spend data is carefully guarded among competing firms.) The data had not been shared with the Agency of Record (AOR). Mojo was able to integrate information from both agencies and determine the cost per site visit by source to understand how spending increases impacted campaign performance. Mojo also explained the different traffic changes and their cause to leverage learnings and optimize campaign performance.

Predictive Analysis

Using data to forecast future investment returns. Working with the team and using data to forecast future investment returns, Measurement Mojo evaluated traffic quality to identify Cost per Key Site Action (web activity tied to sales behavior). This was tracked over time by source to generate trend predictions for coming months based on past performance and future estimated spend.

Prescriptive Analysis

Quantitative predictions designed to shift undesirable trends. With a clear understanding of performance by traffic source, Measurement Mojo provided specific recommendations to optimize the campaign investment. As one example, recommendations included shifting 10% of the endemic spend budget to a non-endemic site based on a quantitative analysis combined with subject matter expertise. Given past experience, we recognize spending shifts should be implemented gradually to ensure the non-endemic channel performance can be maintained at higher spend levels. Additional reallocation would follow as appropriate. This shift forecasted an additional 347 downloads for the brand an increase of over 75%.

Business Outcomes

Monetizing recommendations into projected and aggregated revenue increases and expense reductions. We established a conversion rate between the key site downloads and therapy start forms. Combined with an estimate on the value per new patient, we provided the forecasted revenue gains by making the recommended changes. In this example, the resulting twelve month revenue was projected to increase over 20% while remaining budget neutral. The total impact would be greater over subsequent years and after determining whether additional investment should be moved to a non-endemic site.

The Architecture Behind the Change Management

The IDEA Measurement Blueprint is one component of Measurement Mojo's Commercial Performance Architecture℠ (CPA), designed to support productivity of the commercial ecosystem. The CPA is an engine to transform and prioritize marketing and sales information into decision insights and data-informed action. It identifies opportunities and misalignments, and provides the platform to accelerate commercial growth.

COMPONENTS OF THE CPA INCLUDE:

The Proficiency Diagnostic℠

An assessment to review resources (people, process, technology and data) and identify barriers and opportunities for improved performance

IDEA Measurement Blueprint℠

A measurement framework that aligns operational and financial metrics to inform commercial decision-making focused on five levels of measurement

1. Descriptive – Tactical activity metrics
2. Diagnostic – Campaign KPIs and "why"
3. Predictive – Trend forecasting
4. Prescriptive – Recommendations to shift trends
5. Business Outcomes – Revenue and expense

Dynamic Optimization℠

A decision engine that interprets measurement and prioritizes actions including investment levels and financial impact

Performance Tuning℠

A test and learn framework to cultivate a culture of curiosity and continuous improvement

KPI Disconnects and their relevance to the Commercial Ratio

As you have seen, KPI disconnects are a major source of inefficiency that negatively affects potential revenue and cost optimizations. It is no surprise then that these disconnects affect the various measures of efficiency that company leaders and investors use to compare and contrast companies at the highest level and brands both within and across companies.The Commercial Ratio is a KPI focused on measuring the efficiency and productivity of the company's marketing and sales functions.

The purpose of Sales & Marketing

$$\frac{\text{REVENUE GROWTH}}{\text{SALES \& MARKETING EXPENSE}} = \text{COMMERICAL RATIO}$$

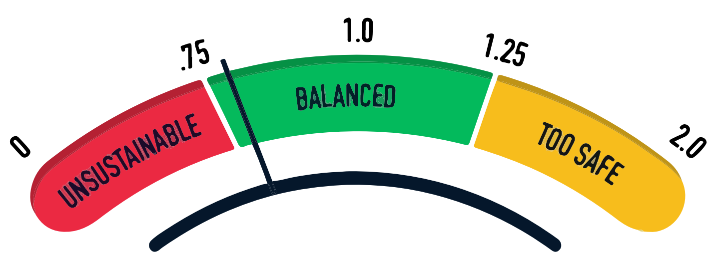
Sales & Marketing are typically the biggest expense category on the income statement, so it's very visible.

The ratio offers executives and investors two benefits:

- A high level measure of efficiency and productivity related to sales and marketing functions
- A direct way to compare the performance of companies and individual brands. When measuring brands, lifecycle stage is factored into the review.

At a very high level, it is an indication as to whether the KPIs used to measure and adjust performance are correctly correlated to sales and ROI goals. Disconnects surface with the Commercial Ratio based upon score and comparison of company-wide benchmarks.

The Commercial Ratio, like an overheat light on a car engine, shows there is a problem but does not specify the specific problem. It shows the magnitude of overall disconnect but not the details of where it is located or how to fix it. Measurement Mojo assists in identifying corrections to improve the ratio.



Conclusion

KPI disconnects are often responsible for potential revenue being missed, expense savings unrealized and teams being less efficient.

Utilizing the Commercial Performance Architecture[SM] (CPA) and IDEA Measurement Blueprint[SM], Measurement Mojo has created a path for pharma companies to capture the potential revenue, realize additional expense reductions and create an environment where teams work together. KPIs become true leading indicators and support the achievement of corporate financial goals.

The Measurement Mojo Advantage

GETTING TO THE TRUTH TAKES COLLABORATION.

Measurement Mojo brings an experienced team of strategists, data scientists, software engineers, and project managers to client engagements. We offer analytic depth and breadth and apply a pragmatic sensibility you would expect from seasoned marketers and business leaders.

We counsel clients to improve performance through better processes, measurement frameworks and clarifying KPIs to link impact top down. Our solutions grow market capitalization and connect the dots between strategy, tactics and financial goals. What we do is tangible, proven, and impactful.

Our collaboration with clients focuses attention on commercial excellence achieved through expense optimization and revenue growth. Implementations have saved brands 14% in marketing spend annually which can be reinvested for greater impact. Annual increases in marketing-attributed revenue are often over 19%. ROI on our work is easily achieved in less than a year and many experience it in as few as six months.

It's time you unleash your organization's potential. Let's talk!

19%

Increase in Marketing Attributed Revenue

14%

Decrease in Marketing Expense

3:1 ROI

When Partnering with Measurement Mojo

Please note: client confidentiality does not permit Measurement Mojo to reveal client company names, individual names, quotes, and other identifiable or sensitive information.

Measurement Mojo improves marketing and sales ROI by driving productivity gain through their proprietary Commercial Performance Architecture^{SM}, a proven system of measurement and process optimization.

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