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CUSTOMER ACUMEN

INSIGHTS TO BUILD CLIENTS FOR LIFE

EMPOWERED
LEARNING
SYSTEMS



EDITORIAL



Dear Reader,

The pharma sector is a highly regulated and competitive industry, where these companies face a unique set of challenges in acquiring and retaining institutional customers. In addition to dealing with frequent regulatory changes, pharma companies must also adapt to evolving customer needs, manage pricing pressures, and balance the need for profitability with the drive for innovation.

To address these challenges, businesses must remain up-to-date with the latest industry trends and technologies, and be willing to innovate and adapt their strategies accordingly. This requires a deep understanding of customer needs and preferences, as well as a commitment to building strong relationships for the long term.

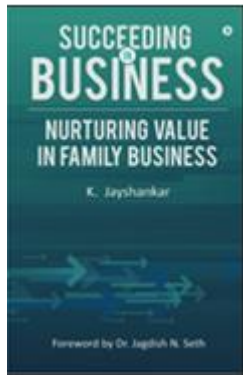
This quarter in **Customer Acumen**, we delve into the **'Winning Institutional Customers in the Pharma Industry: Is It Only about Prices?'**

Jay's article talks about the importance of ethical behaviour in sales, highlighting examples of industries where ethical considerations have been overlooked for financial gain, and emphasizing the need for businesses to prioritize sustainability and social responsibility in addition to legal compliance. In the **Spotlight** section, **Rajan Tejuja, Managing Partner at UpStep Consulting** offers insights into factors that influence institutional customers in the pharma sector, and balancing pricing with profitability. We review **'When McKinsey Comes to Town'** by Michael Forsyth and Walt Bogdanich which explores the impact of McKinsey on businesses, governments, and societies and how they managed client relationships in the competitive environment of the times.

Our in-house Cartoonist, **Vikram Nandwani's** toon finds it hard to swallow the bitter pricing pill!

We value your relationship with us and look forward to your feedback and comments on how best we can serve you through our e-zine, **Customer Acumen**.





Out Now!

Succeeding in Business: Nurturing Value in Family Business

What makes some family businesses grow from strength to strength? How do you ensure that value is created and not destroyed when a business passes hands from one generation to the next in the Indian context? How can old families incorporate new ideas to revitalize themselves? Is there a role for professional management in Indian family business?

*This book offers answers to the vexatious issues that families face in their growth journey. The pointers provided can be used as a guide for nurturing the business and to leverage the traditional strengths that family businesses possess. As a counsellor and trusted advisor, the author, **K. Jayshankar (Jay)**, has had a ring-side view of how family businesses have functioned. The practical insights drawn from his experience of four decades has been combined with conceptual elements to become a valuable primer for a family that wishes to succeed in the competitive marketplace that is India.*

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MUSINGS



To Be or Not To Be: Ethics in Sales

- Jay

'He is a salesman, be careful', is an oft heard remark when dealing with an unusually persuasive colleague. No, you are not being warned of a snake oil salesman but too often this refers to a charming but untrustworthy person who is pushing a product or idea to you when your better instincts tell you to be wary.

It is a matter of concern that the profession that is the key to bringing new products - and joy - to you is also one of the most reviled. Consequently, caveat emptor is the dictum in most transactions, which underlines a caution that one cannot accept at face value what one has been told or promised by the salesman when he was extolling the virtues of his products during the sales pitch.

This brings to fore the question whether ethical behaviour is at a premium in business. It is not my case that errors can never happen in business. Yes, mistakes do occur and products may malfunction. Therefore product recalls are not unusual in industry - the automotive sector has unfortunately been a poster child of such mishaps - but what can one say about deliberate fraud committed with full knowledge that the product is defective or a solution that is being recommended is patently wrong?

The challenge is also peculiar when one views corporate behaviour with the lens of time. 'Sin industries' (alcohol, tobacco, gambling, etc.) are the usual suspects when it comes to notoriety as they are considered to be addictive and the bane of society. But successful firms in these industries have been the bedrock of societies across the world: imagine Scotland without whisky or Vegas without its casinos. Taking a moral position on such matters is indeed hazardous as societies are known to change their outlook from one age to another. Tobacco and liquor have been embedded in society for centuries and social acceptance has created large businesses in these sectors, providing avenues for agriculturists, labour, merchants, and of course, taxes, for the government. Driven underground from time to time in various societies, they have re-emerged stronger as human desires have ensured their continuation with ever stronger demand. That being said, in today's world, these companies operate under siege as they face strong curbs on their advertising and restrictions on availability through regulating their channels of sale.

But what of products that don't fall under these intense scrutiny sectors? Take beauty products, for instance. Human vanity knows no limits, and pandering to it by creating social pressure points has provided lucrative business for global firms. The classic case of 'Fair and Lovely' needs no elaboration but it took decades of bad publicity before the social conscience of the business leaders at Unilever was stirred into action. Their actions created a whole industry of fairness products as poor imitators flooded the market to fulfil the demand created by clever and manipulative advertising bankrolled by the deep pockets of the global firm. Just because Unilever had a mea culpa moment does not mean that the skin lightening cream segment has vanished - estimates indicate that it continues to grow strongly and contributes to about 50% of India's skin care market. Clearly, the cultural damage done over generations of messaging about the superiority of 'whiteness' is not easily eradicated.

The challenge has always been the paradox between ethical and legal. What is legally accepted may not be ethically appropriate in certain societies, and businessmen are taught to always be on the right side of the law, while allowing the ethical debate to continue. So, the tobacco lobby worked hard to prevent health labelling as long as they could. And, some pharma companies have pushed opioid drugs without inhibition in the pursuit of profits. Take predatory pricing in the pharma industries as an example of the challenge between ethical and legal action. It is not anyone's case that profits should not be made but price gauging has always attracted a backlash. Ultimately, regulators step in and create price controls - but all too often shutting the stable door after the horse has bolted.

We are living in one of these crucial historical moments at present. While cell phones have been a global game changer in human existence, the debate rages about the role of social media in society and the addictive impact of gaming on children and youngsters. A voyeuristic and sleepless society is being created around us, hooked to a screen that controls their existence, numbing them with misinformation and pandering to every pleasure bud in their system. Calls to technology firms have gone unheeded - one wonders whether they have any clue at all on how to control the monstrous genies which have been let out of the bottle - and calls grow louder across the world for regulators to step in and enforce control. One wonders whether the voices of reason and ethical considerations ever entered into Boardroom conversations before a product launch, or was the only consideration financial benefits, and perhaps, legal compliance.

The starkest choice before humanity is before us now: sustainability of the planet. Yet, climate change deniers occupy global seats of power in business and government. It is indeed a pity that salesmen and lobbyist are lubricating global conversations towards legalities and ignoring ethical elements: our role in creating a better world for the future generation.

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SPOTLIGHT



Rajan Tejuja

Managing Partner at UpStep Consulting



Rajan Tejuja has over 37 years of experience in medical devices, pharmaceuticals and healthcare management education. He has held several senior management positions across companies with the last large corporate role being the President - Janssen Pharmaceuticals (Johnson & Johnson India).

He then moved on to set-up and launch a medical devices start-up followed by a stint with NMIMS Mumbai leading the MBA - pharmaceutical courses at two of their colleges. Rajan's expertise includes: strategy, vision and growth planning - strategic alliances; business development - commercial operations; merger & acquisitions - new product planning & launch; talent management and change management.

CA. In your experience, what factors do customers in the pharma industry consider beyond just prices?

RT: My view is that to succeed, you need to look at a wider landscape of the different stakeholders (physicians, patients, providers, payors (self/insurance), supply chain partners & regulators not just customers in the pharma industry which is part of a larger healthcare industry. You should also evaluate the primary customer segments taking decisions on the product to be selected viz. individual physicians in clinics (who contribute to a larger part of the market) and physicians in hospitals. In hospitals, the decision on which product should be used has other stakeholders too. Once you have clarity on the different stakeholders and whether they are in-clinic or in-hospital, you are in a better position to understand the factors at play.

The main factors which appeal to the stakeholders at different levels are:

- Quality (technical, company image, brand, etc.)

- Focus on science
- Patient benefits
- Ongoing stakeholder connect
- Price

Each stakeholder group will prioritise these factors differently and hence your communication needs to be tailored for each group.

CA. What is your approach to building long-term partnerships with customers, particularly in an industry with high levels of competition and frequent regulatory changes?

RT: The pharma industry is a serious industry as the aim is to provide improved patient health outcomes. Physicians and other providers partner with companies for solutions which deliver these outcomes. One could say that physicians and providers chose companies and products which they can trust with their credibility over a longer time frame. As we know this industry is not based on impulse buying.

Hence, the company and its individual people need to invest in building long term stakeholder relationships. The focus should be on "Delivering Superior Outcomes and Dependability" through:

- Quality of product, service, people & other inputs
- Innovative solutions across stakeholders
- Consistent stakeholder engagement

The above needs sustain resourcing, building capabilities (hardware and software), and sharp stakeholder understanding. You have to be good at this every day and on all days to be successful.

CA. How do you stay up-to-date on the evolving needs and priorities of customers in the Pharma industry, and how do you use this information for your business strategy?

RT:

- A. The most important input is the "Voice of the Customer" (VOC) which comes through the one-to-one connect & other engagement platforms with the different stakeholders. This needs to be collated, built on continuously and combined with technology to develop solutions to meet the evolving needs. This approach will succeed only if the VOC orientation is ingrained in every employee of the company.
- B. Tracking latest developments in clinical solutions & standards of care through professional journals.

C. Utilise innovative technologies to design, develop & deliver better solutions & patient outcomes.

CA. How do you balance the need to offer competitive prices with the need to maintain profitability and invest in innovation?

RT: Since most of the market segments have multiple, similar branded generic brands at different price points, stakeholders are not always expecting the lowest price. Moreover, most of the brand leaders are not at the lowest price.

The key to achieving a balance is to have the stakeholder choose your brand at your price.

The focus has to be on building a superior stakeholder solution enveloping: quality, science, ethics, stakeholder engagement, and innovative solutions in products & beyond. The stakeholder will make the choice based on the total value they see which is not based on price alone. But this responsibility to make them see the value beyond price is on the company and the solution.

CA. As a veteran in the industry - and as a leading Consultant in the field - what are the three key tips for young professionals who wish to make a mark in sales and marketing?

RT: 3 key tips:

- Connect across stakeholder groups consistently to seek feedback & understand their evolving needs. Spend time to build relationships.
- Keep abreast of latest developments in relevant areas. Don't miss out technology.
- Volunteer for new projects in your function & outside.

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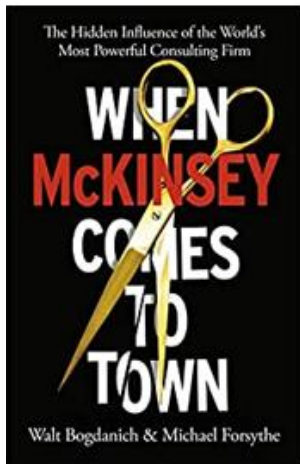


RESOURCES



When McKinsey Comes to Town

- Walt Bogdanich & Michael Forsythe



When McKinsey Comes to Town is a thought-provoking and powerful read that explores the impact of McKinsey & Company's work on various companies through several case studies. Written by investigative reporters Walt Bogdanich and Michael Forsythe, the book offers an eye-opening look into the scale and magnitude of the power that McKinsey had over its global clients and delves into the workings of this powerful consulting firm, and its internal culture.

One of the case studies discussed in the book is McKinsey's involvement with US Steel, where McKinsey emphasized the importance of building strong customer relationships and understanding their preferences, which helped the company to improve its product offerings and succeed in the global steel market. However, the company's recommendations often centred on cost-cutting, resulting in layoffs and reduced expenditures on essentials such as food, medical care, and supervision. This highlights how McKinsey's recommendations may have unintended consequences and may prioritize cost-cutting over the well-being of employees and the broader societal concerns.

Another case study involves Disney, which hired McKinsey in 1996 to increase profits. McKinsey's advice led to changes in the park's ride maintenance policy, resulting in injuries and deaths. Eventually, the Californian government intervened in 2003 to force Disney to improve its safety measures. This case study highlights the importance of considering the potential consequences of recommendations, and the need for consultants to consider the broader societal impacts of their work.

Walt Bogdanich is an investigative journalist and three-time recipient of the Pulitzer Prize while Michael Forsythe is a reporter on the investigations team at The New York Times. The authors provide evidence of various practices with its other global clients, including conflicts of interest, corruption, and strategic blunders associated with McKinsey's work with various industries, including fossil fuel companies, cigarette-makers, opioid distributors, regulatory agencies, and autocratic regimes. These case studies reveal how McKinsey's advice may prioritize questionable clients' interests over broader societal concerns and raise

important questions about the responsibility and accountability of consulting firms in society. The firm's core value of "Putting client interests ahead of the firm" had been taken to extremes, often leading to the prioritization of questionable clients' interests over broader societal concerns.

Overall, "When McKinsey Comes to Town" is an insightful book that highlights the influence and power of consulting firms in shaping corporate practices and society. It emphasizes the need for greater accountability and transparency in the consulting industry. The case studies presented in the book highlight the importance of companies balancing their client's interests with broader societal concerns. While consulting firms like McKinsey may prioritize client interests to achieve business success, this should not come at the expense of ethical and moral responsibilities. Therefore, companies should take a more holistic approach in their decision-making process, considering the impact on their stakeholders, the environment, and society.

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FEEDBACK

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