

## Prescription for Growth: Embrace a Niche

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Pharmaceutical Executive

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In today's payer climate, even innovative products face challenges securing reimbursement if they come with a premium price. The growth of generic products is stunning, and the blockbuster era, with its broad indications, premium pricing, and big marketing budgets, is a thing of the past.

Marketers need to rise to the challenge. The greatest value marketing leaders can provide is to harness the power of strategic thinking. It starts with developing a compelling product positioning.

### Positioning is the foundation

Positioning defines how a product competes—who it is for and how it is differentiated versus competitors. In consulting work and teaching Kellogg MBA students, we see case study after case study detailing how companies have significantly steepened their brand's growth curve by developing a compelling product positioning. There are three core elements in a positioning:

**Target.** Defining your target as simply "patients with X condition" or "primary care physicians" is not enough. The target definition should be grounded in segmentation and customer insight.

**Frame of reference.** What comparison set do you wish to be a part of? For example, if your product is an asthma drug, are you better off competing broadly against all other asthma drugs or, for example, competing for usage as a preventative therapy in this drug class?

**Differentiating benefit and support.** Your primary benefit must be narrowed to satisfy three criteria: it must be highly valued by customers, truly unique versus competition, and credible based on the inherent strengths of your product or company. If your product is not seen as "best in the world" at something, your benefit may not be focused enough.

The three elements can be summarized in a positioning statement. This is a fairly fundamental tool for marketing executives. To (target), X is the brand of (frame of reference) that provides (differentiating benefit) because (support).

A common misconception is that a positioning statement is primarily to help create effective advertising or sales brochures. It is much more important than that. Products with no advertising still need a positioning statement. It provides strategic guidance for everything that happens downstream—development of the marketing plans, sales initiatives, legal/regulatory approach, and financial plans.

### Pharma's positioning challenge

It's difficult for pharmaceutical companies to develop strong positioning statements. The core problem is that pharma marketers dislike niche strategies; when positioning products, most pharma marketing leaders push for breadth. That's understandable, since the goal at launch is to capture as much revenue and profit as possible before the patent expires. Pfizer, for example, reached a broad audience with Lipitor and that worked very well indeed.

Going after a small group of physicians and patients seems like a bad idea. Why think small? In some organizations, aggressively championing a niche launch could well be a career limiting move.

Broad launches are appealing, but there's a simple problem: they don't often work in today's healthcare ecosystem. In a competitive market, a broad launch often becomes a "me-too" strategy, raising the ire of regulators and payers.

Finding a niche is a far better approach. The key for any pharmaceutical product today is demonstrating a clear benefit, and it's easier to demonstrate a benefit against a small target.

### **"Niche" doesn't necessarily mean small**

A niche strategy doesn't mean sales will necessarily be small. Once a physician is comfortable with a product and appreciates the benefits, she will likely use it with additional patients. It is easy to expand from the initial niche to the broader population of patients that fall within the label. And once the product is in the market, companies can secure additional indications to expand use further.

Eli Lilly's Cymbalta illustrates the power of a niche positioning. Cymbalta entered the intensely competitive anti-depressant -category in 2004. By -focusing on depression sufferers who also experienced pain symptoms, Lilly could have embraced a broader positioning, but this would have diluted its effort. Eli Lilly had a lot riding on Cymbalta; Prozac lost patent protection shortly before the launch, and Cymbalta needed to fill the gap. The depression category already had several blockbuster drugs, and promotional spending was second only to the proton pump inhibitor class for heartburn.

Furthermore, existing SSRIs were all considered similar in efficacy, with no head-to-head clinical trials available for the class. Lilly received a diabetic nerve pain indication on Cymbalta two months after receiving its depression indication in 2004. This niche gave Cymbalta a reason to exist in a very crowded and competitive marketplace. It has since received additional pain indications for fibromyalgia and chronic pain. Prozac sales peaked in 2000 at \$2.6 billion—a threshold Cymbalta blew past in 2009.

### **Narrow to grow**

Narrowing a positioning can accelerate growth even once a product is on the market. This repositioning technique can breath new life into struggling products.

One company we've worked with had recently entered the hypertension market with great promise. The category is huge; it's the largest office-based condition treated by physicians with nearly \$14 billion in 2011 sales. The new drug attained the coveted regulatory approvals with clear, clinical superiority versus its two branded rivals.

Despite these advantages, the new product struggled in the market. It faced intense rivalry from a host of branded and generic competitors that were already meeting most every apparent need. Adding to the challenge, there was little motivation on the part of physicians to try something new, and intense pressure from payers for them to prescribe generics.

After the new product failed to meet expectation at launch, further research and analysis indicated that a niche positioning could reinvigorate the brand. The marketing team concluded that the best way to gain traction would be to narrow the focus in two ways. First, it would focus on its one main product attribute—strength—where the brand had clinical superiority. Second, it would focus the target audience on those patients for whom strength mattered most—physicians who treat patients whose blood pressure was not being effectively controlled by other medications.

With a clearer positioning focus, the company is now able to intensify the efforts of its sales force against a physician audience that has a more compelling reason to consider the new drug.

### **Why does it work?**

Niche positioning might imply going after a small market. Rather, it means going after a select market that has intense needs. If a niche positioning is executed well, resources will be more focused where they will achieve the biggest result. The benefits of taking an enterprise-wide approach to delivering a niche positioning are significant:

- » Better targeting of physicians, e.g., more visits to the highest priority doctors, better visibility in their professional associations and publications
- » Better targeting of patients, which is especially important if consumer pull is an important part of the marketing plan
- » Reduced concern from payers/MCOs of inappropriate prescribing and risk to budgets
- » Clinical data and claim support resources focused where they are most important
- » Easier to carve out and defend marketing position from rivals
- » Improved financial ROI

## **Where to begin**

To build an effective niche positioning, marketers must focus on doing four things exceptionally well.

**Start by understanding all the key players.** What are the needs, motivations, and constraints of your targeted audiences, e.g., physician segments, patients, or managed care customers?

**Involve your team in developing options.** Cross-functional perspectives from all groups are critical to a successful niche positioning. It can be a time-consuming process, but insights and consensus should be obtained from all the key players: legal, regulatory, medical, manufacturing, and finance. This helps to avoid bigger problems that can result from having an un-vetted positioning later.

**Conduct rigorous strategic analysis and market research.** Your positioning options must be put through a strategic filter. Our framework includes evaluations of three core areas:

- » How strong is the value proposition—in particular, how valued, unique, and credible is it with your target audience?
- » What is financial opportunity balanced against the risk?
- » Is the positioning feasible—can your sales force execute it and will it get legal/regulatory support?

**Develop a marketing plan that delivers the positioning.** Think through the implications of your positioning options on your marketing strategies and tactics. What levers should you pull? These differ based on the audience you need to reach and the message you must convey. Consider all four key stakeholder groups—patients, physicians, providers, and payers. How will each perceive your value proposition? With which group will you obtain the greatest leverage in gaining awareness and credibility for your new positioning?

The positioning development process takes time and requires thorough use of market research, analysis, and involvement from senior management and cross-functional peers. But if it's done well, your more focused positioning can drive significant sales growth and enhance careers.