



DOUG J. CHUNG
GAMZE YUCAOGLU

Sales Force Management at Nobel Ilac

September 20, 2017: Hakan Sahin, CEO of Nobel Ilac (Nobel)^a—a Turkish generic pharmaceuticals company with a more than 50-year history—and his executive team were reviewing Nobel’s year-to-date performance. Since joining the company at the end of 2013, Sahin had implemented a transformation project on all fronts of the company, and the effects were now being felt: sales were on the rise and had reached \$148 million in 2016,^b and EBITDA, which had been negative between 2011 and 2013, was in positive double-digit millions. (See **Exhibit 1** for Nobel’s income statement.) The latest figures revealed that the pharmacy segmentation project that had been put into effect at the beginning of 2017 was also showing positive results. While the project required a major shift in mindset among the sales force, who had used their personal judgement rather than a scientific method to determine the potential of pharmacies, it had further helped to increase both sales and EBITDA.

Sahin had every reason to be content, but two issues were troubling him: although Nobel had outperformed the market in both 2015 and 2016, he believed that growth was still below the company’s potential, and the voluntary turnover rate for the pharma sales force, which was expected to be in low double digits, was at 23%. This was especially the case for sales representatives (reps) with less than two years of tenure at the company (over 30%). The management team recognized that the sales force was the backbone of operations for a company like Nobel, where the *only* go-to-market channel was the sales force. The high turnover rate of reps with short tenure was especially troubling, as it meant that, just as Nobel was about to reap the benefits from its investment in new reps, they left. Sahin asked his team for ideas to mitigate this problem. Karin Soydan, who oversaw 337 reps as the director of the pharma commercial group, suggested increasing the base salary, thinking that a higher salary would provide a sense of security and inspire loyalty. Sahin, on the other hand, maintained that sales reps’ income should depend on sales performance and suggested increasing mainly the variable component of compensation. Burcin Sengun, Nobel’s HR (human resources) director, was of a different opinion: she believed that the company’s current compensation was on a par with that of similar jobs in the market, so she recommended more training and career-planning opportunities.

^a Ulkar Holding’s Turkey operations and exports from Turkey were all consolidated under Nobel Ilac. While Ulkar Holding has international operations, the case will focus on this entity.

^b Worldwide sales including Nobel affiliates in Kazakhstan and Uzbekistan was \$210 million in 2016.

Professor Doug J. Chung and Assistant Director Gamze Yucaoglu (Middle East and North Africa Research Center) prepared this case. It was reviewed and approved before publication by a company designate. Funding for the development of this case was provided by Harvard Business School and not by the company. The citation review for this case has not yet been completed. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Copyright © 2019 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to www.hbsp.harvard.edu. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of Harvard Business School.

Planning for the 2018 budget, Sahin had to make a decision. What could Nobel do to reduce the sales force turnover without affecting the positive trend in sales and profits?

Turkey's Pharma Market: Overview

Located at the crossroads of Europe and Asia, Turkey had a population of 79 million in 2016, 68% of whom were between the ages of 15 and 64. (See **Exhibit 2** for demographic indicators.) The population had been growing at an average annual rate of 1.55% since 2010, and the average life expectancy had increased from 68 to 78 between 1996 and 2016.¹ During the 2000s, Turkey's robust economy, its increasing per-capita income, and its healthcare reform all contributed to the rapid growth of Turkey's pharmaceuticals and to the healthcare market in general.² (See **Exhibit 3** for economic indicators.) While per-capita spending on healthcare had shown more than a threefold increase in the previous 20 years,³ in 2016, it was still only around 4% of GDP. (See **Exhibit 4** for comparison of current expenditure on health, % of GDP.)

Over the years, the Turkish government had introduced a number of regulations, including patent protection and a reimbursement system, to align its pharmaceutical laws with those in the EU. One major initiative was the Health Transformation Program, launched in 2003, which aimed "to enhance access to healthcare facilities and increase the efficiency of the healthcare system."⁴ In 2004, the government introduced universal healthcare, and within a year, 99% of the population was covered by public insurance.⁵ In 2016, Turkey was the world's sixteenth largest pharma market and the seventh largest in Europe in terms of market value.⁶ The \$7.6 billion market was growing rapidly on a constant currency basis.⁷ (See **Exhibit 5** for an overview of Turkish pharma sales and a global comparison.) The same year, patented drug sales constituted the majority of the market, and generic^c sales accounted for 37% of the total market. The generic sales were projected to reach \$4 billion by 2020, growing at a 7.5% rate between 2015 and 2020.⁸

Regulatory Environment

Much like its global counterparts, the Turkish pharmaceutical sector was subject to complex regulations. The Ministry of Health (MoH) oversaw national health policy and services, including drug policy and the licensing of products and providers. The General Directorate of Pharmaceuticals and Pharmacies, a division of the MoH, was responsible for registration, approval, the pricing of pharmaceuticals, legal classification, the control of advertising for pharmaceutical products, as well as the inspection of pharmaceutical manufacturers, wholesalers, and retail pharmacies.⁹ Point-of-sale materials at doctors' offices and direct-to-consumer advertising were prohibited. Pharmaceutical products in Turkey were generally not out-of-pocket expenditures; the MoH and the Social Security Administration reimbursed expenditures for eligible products. In 2004, the government established a reimbursement commission that was responsible for determining which products were eligible and their respective reimbursement amounts.

^c Generic drugs were medicinal products with the same active ingredients and pharmaceutical formulation as the reference (originator) medicinal product but could be marketed only after the patent protection of the originator had expired.

Pricing

With the launch of universal healthcare in 2004, Turkey adopted an external reference pricing system and abandoned its existing cost-plus system. Accordingly, the price of an originator^d product was determined by taking the lowest price in five EU countries: France, Italy, Portugal, Greece and Spain.¹⁰ For originator products, the reference price was set at 100% of the price in the lowest ex-factory price, and generics (as well as originators for which generics were on the market) were priced at 60% of the price of the originator product.^{e,11} The final product price was determined^f by converting the reference price to Turkish lira, adding wholesale and pharmacy mark-ups and VAT, and applying public rebates (28%) where applicable.¹² The regulation stipulated that the price of generics must not exceed the original's reference price or the highest price of the equivalent generic in the market. If the originator price was lowered, the generic price had to be lowered as well.¹³

Once a drug price was determined,^g companies were not allowed to give promotional discounts by changing the price. In order to gain commercial advantage, therefore, pharmaceutical companies provided discounts in kind (by giving out free goods) to pharmacies. Free goods were especially important for generics companies. Given that the original molecule had usually been on the market for a much longer time than its generic equivalent and was, therefore, better known to patients and physicians, generics companies felt compelled to be more generous with free goods in order to compete with originator brands.

In April 2009, the Turkish government fixed the exchange rate for reference price conversion (at 1.9595 Turkish lira per euro), which led to further price reductions (in euros) as the euro appreciated against the Turkish lira (TL) over time. Additionally, most raw materials used for domestic pharmaceutical production were denominated in USD, which also appreciated against the TL, so costs for manufacturers increased, while the price decreased. This put pressure on profits and resulted in steep declines in gross margin for all firms.¹⁴ Due to the weakness of the Turkish lira and several rounds of price reductions introduced by the government in response to budgetary deficits, pharma sales dropped from \$11 billion in 2010 to \$7.6 billion in 2015.¹⁵ During this period, the domestic pharmaceuticals firms suffered, and many were acquired by international pharma companies.¹⁶ In 2015, the government applied a slight adjustment to the exchange rate policy^{h, 17} but the major gap between the actual and applied rates remained. (See **Exhibit 6** for the actual and applied rates.)

^d Originator drugs referred to products that were first authorized (patented) worldwide for marketing on the basis of the documentation of their efficacy, safety and quality.

^e Once the patent on the originator product expired, this product was then also subject to generic pricing of 60%, as per the pricing system in Turkey.

^f To give a concrete example of the pricing process, one can assume that drug X is a generic drug, and its originator brand is priced at 38.65 Euros in Spain, the lowest reference price of the named five EU countries. The reference price of the drug is 60% of the originator, which is 23.19 Euros in this case. When Euro prices are converted to Turkish lira at the fixed exchange rate (1.9595), the selling price to the wholesaler is 45.44 TL. When wholesale and pharmacy mark-ups and VAT are added, the result is 66.38 TL. The public rebate of 28% is applied on top of this and the price becomes 47.79 TL. Kadir Gursoy, "An Analysis of Public Pharmaceutical Policy, Pricing and Spending in Turkey," *Journal of Social Security*, March 2016, Volume 6, Number 1, Page 225-243, <http://dergipark.gov.tr/download/article-file/297646>, accessed October 2018.

^g Prescription drug prices to pharmacies, pharmacy sales prices, and profit margins were determined by the government.

^h After 2015, prices were converted to TL at 70% of the previous year's EUR/TL exchange rate. (2016 ITA Pharmaceuticals Top Market Report).

Sales Channels

The Turkish pharmaceuticals market had two main channels: retail, which constituted 88% of sales, and hospitals, which accounted for the rest.¹⁸ In the retail channel, there were 25,000 independent pharmacies. The government allowed neither pharmacy chains nor internet/mail-order pharmacies.¹⁹ As of 2010, the share of prescription drugs in pharmaceutical sales hovered around 99%.²⁰ Turkey did not yet have regulations for over-the-counter (OTC) drugs, so the market was limited with consumer health products. And consumer health products were prohibited in supermarkets. Hospitals had their own pharmacies to meet the needs of inpatients.

Wholesalers played an important role in distribution: pharma companies sent their products to wholesalers, who then distributed to pharmacies and hospitals, which then resold to end customers. Apart from distribution, wholesalers also kept track of individual pharmacies' inventory and replenished their stock as needed. The doctors who prescribed the drugs and the pharmacists who dispensed them played key roles in the sales performance of a drug.

The Doctor's Role Doctors were the strongest actors on the demand side. They had the power to prescribe their choice of drug from among all available comparable drugs. In Turkey, doctors prescribed drugs not by active ingredient but by the name of the drug, which meant that there were barriers to switching unless the patient was knowledgeable about the alternative and could ask for it.²¹ Prescribing generics theoretically meant a decrease in overall healthcare spending, but doctors were generally not sensitive to price and were, instead, driven by habit.²² To keep doctors informed about their drugs, pharma companies paid regular visits to doctors and made sure to invite them to pharma conferences in their areas of specialization. A doctor might receive as many as 20 medical reps per day.

The Pharmacist's Role Pharmacists were the other strong actor on the demand side. They were authorized to suggest a pharmaceutical equivalent to the prescribed drug, a move that was mainly commercially motivated. For this reason, pharma companies aggressively promoted their drugs, and salespeople allocated a major portion of their time to regular pharmacy visits to gather information on sales and to promote their drugs. Pharmacies' incomes depended on social security reimbursements and out-of-pocket payments by patients.²³ The free goods that pharma companies offered as incentives to promote their product over the competitors' were an important component of pharmacies' incomes. The amount of free goods received for a certain drug was, therefore, an important factor in determining whether a pharmacist would promote that particular drug over a generic equivalent.

Competitive Environment

Due to its geographic location and population size, Turkey was home to many international firms that wanted to take a portion of the local market and expand their reach into the Middle East and Eastern Europe. The pharmaceutical industry was highly fragmented; in 2016, for instance, 496 companies were operating in the sector, 55 more than the year before.²⁴ These included multinational firms such as Novartis, Bayer, Pfizer, and Sanofi,²⁵ as well as other originator and generics companies. While the majority of the originator companies were operating on a global level, most generics companies operated only locally. Competition was fierce on all fronts.

Company History and Overview

Nobel Ilac was founded in 1964 and had operated as part of Ulkar Holding, established by the Turkish Ulusoy family. Under chairman Hasan Ulusoy's entrepreneurial vision, Nobel expanded into Central Asia and the Balkans as of 2001 and was operating with its own organization and brands in 20

countries, marketing more than 100 drugs.²⁶ One of its flagship brands, an effervescent cough and cold product, TyloHot, had sold in 21 countries worldwide and was the only Turkey-originated drug brand to have such coverage. Like all other firms in the market, Nobel had been affected by the government's 2009 pricing policy, which had exerted downward pressure on prices. Nobel's margins took a hit, and the company faced major profitability and cash issues. Hasan Ulusoy recalled these times:

Feeling that we were strong in our home turf, we had pioneered the way to expand abroad. Nobel had a total of four production facilities in Turkey, Kazakhstan and Uzbekistan and over 2,500 employees, half of them abroad. The change in pricing policy meant that we had to refocus locally and secure our base and concentrate on growing our export markets in an attempt to offset decreased profitability in Turkey.

In early 2013, Nobel consulted McKinsey about optimizing its commercial strategy, revising its organizational structure, and drawing a roadmap for future growth. With his 15 years of experience working for Procter and Gamble, Hakan Sahin became the project lead on the McKinsey side. He stated, "The company was doing a lot already; however, things required a more systematic and structured approach. After we presented our recommendations and a roadmap, Mr. Ulusoy asked me if I wanted to come and help bring these to life at Nobel."

At the end of 2013, when Sahin joined Nobel as a member of the executive board (in charge of operations, sales, marketing and strategy), Nobel's sales were down and its EBITDA was negative. Sahin's first steps were to institute cost-cutting measures, downsize the sales organizations, discontinue some of the less-profitable products, renew the portfolio, reduce inventories, and start a major lean-transformation in Nobel's production facilities. Growth strategy was defined mainly through specialty care and consumer healthcare products. In 2014, Ulusoy declared biotechnology as the company's main future growth area. In the same year, Nobel was granted Turkey's first biosimilarⁱ grant by the Ministry of Industry and Technology to develop molecular antibodies, earmarking a \$100 million investment in the field. Sahin recalled: "The new focus was a vital and important opportunity which also meant that the company had to boost its EBITDA significantly to create a source of funding until the end of 2021, when we forecast to begin generating revenues from biotechnology." On the organization side, under Ulusoy's governance efforts, none of the family members remained in the company, and Sahin recruited experienced directors from the sector to lead the various departments. In 2015, Ulusoy also stepped down from his executive roles to continue as Nobel's chairman, leaving Sahin at the helm as the company's CEO. (See **Exhibit 7** for the organizational structure.)

Sales Strategy Transformation

Sahin stated, "Without a scientific methodology, our sales reps were showering pharmacies with free goods without actually knowing if they were effective. As much as 38% of our sales were given out as free goods! We decided to work with an outside consultant to develop new tools for optimizing sales channels, which would enhance the product profitability per medical rep." Up until this point, Nobel had relied only on its own sales data to segment the 13,000 pharmacies that reps regularly visited. In 2016, Levent Ozzengin, Nobel's sales force effectiveness manager, worked with global healthcare information and service provider QuintilesIMS^j, which had market data on 99% of the pharmacies in Turkey, to develop a database of the pharmacies that Nobel visited. Each pharmacy

ⁱ A biosimilar referred to a biologic medical product that is almost an identical copy of the original product (vs. generics which were considered equivalents).

^j In 2018, IMS Health and Quintiles rebranded under IQVIA.

received a score that reflected Nobel's performance and that particular pharmacy's market potential for each drug group. This analysis showed Sahin how Nobel was performing vis-à-vis its potential at each sales point—information that would also guide the reps in planning which pharmacies they needed to visit and with what frequency. (See **Exhibit 8** for segmentation matrix.) Soydan, one of Sahin's recent recruits, commented:

Nobel did not use a structured approach towards segmentation. Regional managers decided which pharmacies to target and which campaigns to offer and when, and even field force managers were incentivized by sales, not profitability. Managing pharmacy relationships using a scientific matrix was a cultural change for Nobel. It was not easy to shift the mindset of 337 people.

Sahin recruited Murat Gumrukcu, an experienced sales force effectiveness manager, to oversee this transition. In 2017, Nobel had been able to improve its share of wallet at targeted pharmacies by increasing the frequency of visits while reducing the amount of free goods^k it distributed. Nobel was outperforming the market in terms of profitability. Results for the first half of 2017 were also looking good: sales were up 16.5% and the amount of free goods was down by 14.7%, compared to the first half of 2016. Yet HR reports showed that the turnover in the sales force was still very high: one in every six pharma reps was leaving Nobel within two years of joining, versus a turnover of around 12% in multinational pharma companies in Turkey. Sahin had also heard that some best-in-class multinationals had focused on reducing turnover in their Turkey operations in the past year and had managed to reduce it to as low as 7%. Together with Gumrukcu, he went over the exit surveys from 2016 and 2017 in the hopes of pinpointing exactly why people were leaving. The results seemed to indicate that the majority were leaving for better pay. Could this, in fact, be the only reason? (See **Exhibit 9** for an overview of exit surveys.)

Sales Force Management at Nobel

Nobel's success depended on the ability of its sales force to persuade doctors to prescribe Nobel's drugs and to convince pharmacists to fill prescriptions without switching to a substitute.

Organizational Structure Eighty-eight percent of Nobel's products required a prescription, including some of its consumer health products. The marketing for the drug and consumer health categories differed qualitatively, so Nobel's sales force was structured as two separate groups. Soydan led the sales force of 337 reps who marketed several prescription drugs in different therapeutic areas.¹ The reps reported to regional managers, who reported to their field force or business unit managers. (See **Exhibit 10** for the organization structure of the commercial pharma group.)

Recruitment Process Until 2011, Nobel had used only mass recruitment for sales reps, running advertisements nationally once a year in September. Bilal Gul, a training manager, who was training reps in-house at Nobel at the time, explained: "Nobel looked for young people with potential to train in its own culture. HR received over 4,000 applications that were filtered through three layers of online tests and assessments." Approximately 80 people who had passed the tests received 60 days of group training in a hotel in Istanbul. Gul explained:

^k Nobel managed to reduce the amount of free goods distributed from 38% to 15%.

¹ Nobel's pharma drugs were grouped under the following therapy lines: gastroenterology products, chronic pain products, primary care products and neurological products.

The 60-day onboarding was a big investment for Nobel. Yet the company could afford this, given that the margins at the time were high. The reps received comprehensive training on medical topics, detailing, and sales, as well as in pharmacovigilance^m and safe driving. The cohort was taken to visit the headquarters and a manufacturing facility. During this time, we had the opportunity to observe applicants, and usually about 10% [or] more got eliminated. The rest were officially onboarded and dispatched to their respective regions.

Between 2011 and 2017, due to a slowdown in the sector as a whole, Nobel recruited only for open positions upon the request of the respective regional managers. Sengun explained:

In those years, as companies downsized, there were experienced reps on the job market, and regional managers would call HR with an open position and the name of a potential candidate. HR arranged for one cross-regional interview and one HR interview to complete the process. The process was quite subjective and did not follow Nobel's recruitment criteria. When I arrived in 2017, I was asked to replace this practice with a more methodical and objective process.

Accordingly, Sengun revised the recruitment process to begin by posting a job vacancy online and in print media. Applicants took a general qualification test, and only those who met the Nobel criteria and attained a certain score were shortlisted. As before, HR ran the entire process, including the interview. Every six months, all new personnel were onboarded together. They received a basic in-house orientation and were introduced to each department. While Nobel retained this method for positions that required experience, in 2017, Sengun was asked to resume mass recruitment for entry-level reps in order to ingrain the Nobel culture in new reps from the get-go.

Training After the 2009 budget cuts, training quality also suffered. Gul explained: "Until I came, there was no position dedicated to corporate training. Training was irregular and was provided only if requested by regional managers." Between 2013 and 2016, Gul planned yearly training events in cooperation with the field force and marketing managers, as they were in the best position to assess the needs of their teams. Field force and marketing managers could choose either the standard in-house training or external training, and, at times, they suggested a specific outside trainer. Sengun said:

We do not have end-to-end HR analytics or a follow-up system to provide us with the development areas for reps. In 2017, we implemented a new training program for reps tailored to their experience at Nobel. In addition to that, reps' performance is graded by their supervisor on five competencies, and we analyze these performance results and decide which rep needs to be trained, on what competency, and at which level. We then align our suggestions with the respective manager and design and implement the training curriculum accordingly.

More budget was allocated to training over 2015-2017, with an average that hovered around 12 hours per rep per year. Training was geared toward developing the five competencies that a Nobel sales rep would need on the job but did little to support further personal development goals.

^m Pharmacovigilance referred to drug safety, such as the detection, assessment, understanding and prevention of adverse effects of drugs, and aimed to enhance patient care and patient safety in relation to the use of medicines. WHO, "Essential medicines and health products," https://www.who.int/medicines/areas/quality_safety/safety_efficacy/pharmvigi/en/, accessed January 2019.

Compensation Plan Nobel's sales force compensation plan had three main components: base salary, bonus, and overachievement commissions. To be competitive in the Turkish labor market, Nobel tracked the market compensation indexⁿ through reports from global HR consultancy companies such as the Hay Group and Towers Watson. These provided information on the median and quartile compensation of competitors and bonus indications in the Turkish pharma market. Nobel's compensation package moved plus or minus 30% around the median. Base salary was a function of industry tenure, and variable pay included a cumulative quota-bonus in addition to an overachievement commission beyond quota. The quota was set based on QuintilesIMS' local industry data, taking into account regional fluctuations in demand. To discourage overdistribution of free goods, performance was computed by sales realizations minus the value of the free goods distributed, linking performance closely to sales reps' effort to maintain a sustainable relationship with the pharmacies and doctors.

At the end of each quarter, Nobel allowed for interim advance payments of the annual bonus. If a salesperson's cumulative sales figures met or exceeded the quota at the end of a quarter, he or she received that portion of her annual bonus in advance. If her performance was below the quota, this interim payment did not occur, and the amount, in addition to the portion attainable in that quarter, was deferred to the subsequent quarter. For example, if a rep met both Q1 and Q2 quotas, he or she would receive ₺4600^o in March and June. However, if a rep did not meet the Q1 quota but only the Q2 quota, he or she would receive ₺9200 in June. Reps whose annual quota realization was above 100% received an overachievement commission (as a percentage of the annual bonus) at the end of the year on top of their annual bonus. This amount was capped at the level of the annual bonus. (See **Exhibit 11** for an overview of the compensation structure.)

Coaching Regional managers coached the reps they oversaw and were required to shadow them during doctor and pharmacy visits at least once a month. During these visits, regional managers silently observed the rep's effectiveness and, at the end of day, provided feedback in four areas that had been taught in Nobel training: effective presentation; asking strategic questions; negotiation skills; and successful use of the closing. Regional managers entered their feedback on the internal system. The regional manager's feedback was an input on the rep's scorecard. At the end of the year, regional managers were similarly evaluated on their coaching performance, which was regarded as an important competency that would be considered for promotion.

Promotions In order for a sales rep to rise up in the ranks, in any three-year period, he or she needed to perform beyond the quota twice in a row and pass through Nobel's assessment, which tested reps' proficiency in three areas in order to be eligible for promotion: delegation; effective decision making; and result orientation. To assess rep's performance with regard to his or her quota in a given quarter, Nobel analyzed the data from QuintilesIMS, which provided information both on the sales of Nobel drugs and on those of the competition for a specific region. Gumrukcu said, "In Turkey, we only have regional prescription data (number) which is not detailed at the individual doctor level. So, when evaluating a rep's performance, we look at the sales performance of Nobel's drugs as well as the competition in a given territory and attribute 100% of the sales in his region to the rep's success." Sengun commented, "We also consider the regional manager's assessment of the rep's competency

ⁿ Third-party reports provided an overview of compensation figures with respect to other players in the market in a given period. Companies then decided how to set their own compensation. The market evolution index was said to be 100% if, over a given period the salary growth at a certain company (here, Nobel) was the same as the market growth. A number less than 100 indicated that the compensation quantum was lower than the market growth, while a number greater than 100 indicated growth stronger than that of the market.

^o Equivalent of \$1,260, using 2017 average USD/TL rate of 3.65 via oanda.com

when making a promotion decision. In the last five years, less than 30% of promotions have been internal, and we have not been able to fill senior leadership positions from within." Job rotation (e.g., from sales to marketing) was rare, and because relationships with doctors in a specific area were not transferable, relocation across sales teams were also limited.

Culture Starting in 2013, every two years, Nobel participated in McKinsey's organizational health index survey to assess how employees felt about the company. Sengun mentioned: "Everyone fills in the survey and then a representative from each department conveys their suggestions and wishes, and then the management team works on an action plan. So far, we have implemented flexible working hours, an annual bring-your-kid-to-work day, and regular breakfasts with the CEO as a result of these efforts." At the end of each year, Nobel also awarded "Nobel of the Year" prizes in six categories, including efficiency, organizational improvement and sustainability. The awards were presented at the Welcome-to Summer garden party, which brought everyone together.

A Day in the Life of a Nobel Sales Rep

Every rep represented anywhere from two to seven of Nobel's products and was responsible for visiting both doctors and pharmacies in his or her exclusive territory. Reps' primary goal was to increase the number of prescriptions for Nobel drugs, which increased sales without any free-goods campaigns—unless the pharmacist switched to a substitute drug.

Together with their regional manager, reps planned visits on a monthly basis. On a typical day, they visited 15-20 doctors and 5-7 pharmacies. The visit frequency was affected by product positioning and potential in the segmentation matrix. A rep would start the day by checking his or her monthly plan at about 8 a.m. Next, the rep checked the permitted visiting hours for doctors at the hospitals scheduled for that day and then planned the rest of the day around those hours. Typically, doctors' visiting hours were in the mornings, so pharmacy visits were in the afternoon. This worked to the sales rep's advantage because, if the rep was able to refresh a doctor's memory about a certain drug first thing in the morning, the doctor would be more likely to prescribe that drug later in the day.

Doctors' Visits

There were approximately 113,000 doctors in Turkey, and each rep was responsible for visiting around 100-200 of them.²⁷ It was, therefore, important for sales reps to know which of those had high potential and to plan their calls accordingly. The regional managers coached reps on how to identify high-potential doctors—that is, how to obtain information about potential from other medical personnel and pharmacists. The list of high-potential doctors in the region was the starting point for creating an effective call plan. Reps constantly updated their lists.

Reps planned to visit hospitals in a given area on the same day. Some visits lasted only one or two minutes, so the rep barely had time to remind the doctor about the name of the drug he or she was promoting. More often, however, the reps had time to inquire about how many patients the doctor had seen lately, what kinds of products he preferred to use and why, and how many prescriptions he wrote.

Sedat Ceylan, a sales rep in the pharma group, explained, "Visual information is always more effective, so we use an iPad for presenting information about the drugs. Price is a factor, but doctors are interested primarily in the active ingredient and the efficiency of the drug. Our talks are not scripted and our marketing messages are customized; we keep track of the doctor's questions from our previous visits and his areas of interest and adapt accordingly." The reps also inquired about problems doctors experienced in their area and the available drugs in general. This enabled Nobel to better position its

drugs vis-à-vis those of the competition. Ozlem Kayali, who had started as a rep and had been promoted to field force manager in 2017, said, “The rep’s competency plays an important role when it comes to persuading a doctor to prescribe a Nobel drug. Successful reps have good medical knowledge, understand the doctor’s needs, can do effective detailing, and build a relationship based on trust.” Ceylan stated, “Doctors don’t have much time to reflect when they are writing a prescription, so we need to be the name that comes to mind when they reach for the pen. It is important to be top of the mind, and for that to become a habit. It’s difficult to break an existing habit and to replace it with a Nobel drug.”

Doctors were not allowed to accept gifts, but reps could provide medical journals when doctors asked for them, so long as these were then registered as the hospital’s fixed assets. To create more opportunities to meet with doctors, companies also organized educational congresses with key opinion leaders, and they were allowed to sponsor doctors’ participation in a healthcare conference—either international or domestic—up to twice per year per doctor.

Pharmacy Visits

Pharmacy visits usually took around 20 minutes and were less formal. When a rep visited a pharmacy, he or she chatted with the pharmacist, inquiring about business in general and the performance of Nobel products, as well as those of the competition. If the sales performance was poor, the rep inquired about the source of the problem to determine whether the pharmacy was not getting prescriptions for Nobel’s drug (which would mean the rep was unsuccessful at the doctor level) or whether the pharmacist were persuading patients to switch the prescription to an alternative drug because the competition had given a better commercial deal. This information helped the rep and the regional manager tailor future free goods and other sales campaigns. The majority of the ordering was done through the distributor warehouses, but the rep also took orders and alerted the warehouse to the pharmacies’ needs. During these visits, reps were able to observe the purchasing behavior of each pharmacy and could make an educated guess about the pharmacy’s potential. Gumrukcu said, “It is important to help the pharmacist understand the commercial deal we are offering, so in the last few years, we have been providing financial literacy training to our reps so that they can explain Nobel’s offer and its advantages to the pharmacy’s bottom line more effectively.”

Following the visits, using the company-provided iPad, each rep had to enter feedback from the doctor and pharmacists into the CRM system on the same day, so that the regional manager, the field force manager, and the pharma commercial director could monitor the rep’s visit performance. During the rep’s year-end performance evaluation, this assessment then would be taken into account on top of his or her sales performance in that particular year.

What to Do?

Under Sahin (CEO), Nobel’s market share increased, boosting its rank from the 24th to the 17th largest pharma company in Turkey (2017) in terms of annual revenue. Cautious about complacency creeping in, Sahin was looking for sustainable ways to boost growth even further. The way to achieve this was likely through Nobel’s sales force. Taking into account the complexity of the relationships that reps had to manage (with doctors and pharmacists), it was crucial that Sahin find a solution to the high attrition rate. Examining the data, he saw that it took 44 days to replace a rep and several months (and, in some cases, over a year) for the new hire to reach the level of the rep who had left. These were serious losses for Nobel. While everyone agreed that high turnover was a serious handicap, they had differing opinions when it came to the solution.

Looking at the exit surveys, Soydan (pharma commercial group director) noted that most people cited compensation as their primary reason for leaving. Suggesting an increase in the base salary, she said, "Dissatisfaction with compensation demotivates people, and they leave to work for the competition. Loyalty is a big issue that prevents my group from growing as much as it could. We can increase the base salary to provide a better sense of security." Sengun (HR director) supported Soydan: "Especially for less-tenured reps, switching is not a big deal, and in such situations, money talks." Sahin, however, believed that it was the variable component of the compensation that kept the sales force motivated, so he thought an increase in the variable portion might increase sales *and* keep people at Nobel. Kayali (field force manager), who, for the past year, had been overseeing 65 reps and eight district managers, disagreed. She said:

It may look like money is the reason people leave, but if reps feel peaceful and secure about a future career path, they won't leave for a small difference in compensation. Reps have career aspirations and would like to see that the company is investing in them. They don't want to worry constantly that they may be let go if they don't make their target in a given quarter. Job security and promotion possibilities are valuable. It's difficult to gather these sensitivities from a standard exit survey.

Chiming in, Sengun drew the team's attention to softer factors and opined that Nobel needed to revisit its recruitment criteria and find ways both to attract better people and to create competition within the company. She added, "Less than 30% of our sales reps meet quota. And this demotivates people. On the other hand, we see that, through training, we can improve their performance, so a better-structured high-quality training program, coupled with mentoring, can be the solution here." Soydan added:

Not being able to fill vacancies [for leadership roles] from within is a serious problem. Better training could certainly help with that, and much can be done through mentoring and coaching to give a direction to the sales force. We need to focus on developing our sales reps' competencies in order to have reps climb . . . the ranks and build their careers here at Nobel. We need to revisit these so that reps see that they can climb the ranks and build their career here.

Kayali, pointing out that Nobel's training focused only on job function competencies, said, "Training is not systematically oriented toward career development. We need to view reps beyond their function and help them with overall personal development, maybe even subsidize their learning English if this is something that they want to do. We will then win their hearts."

Having listened to his team's suggestions for reducing turnover at Nobel, Sahin needed to make a decision: should he increase the base salary, increase the variable component of the salary, change the fundamental structure of compensation, or keep compensation the same and adjust other factors such as recruitment criteria, mentoring, and/or training?

Exhibit 1 Nobel Ilac Income Statement (2015-2017)

Fiscal year (yearly average USD values)	12.31.2015 *	12.31.2016 **	06.30.2017 ***
Revenue	\$147,949,245	\$148,342,334	\$70,185,072
(COGS)	-57,820,767	-54,763,482	-28,000,055
Gross profit	\$90,128,478	\$93,578,853	\$42,185,017
Total operating expenses	-61,500,007	-53,084,736	-30,572,097
Operating profit	\$28,628,471	\$40,494,117	\$11,612,921
Investment Activity Income	53,207	1,397,391	98,200
Investment Activity Expenses	-44,876	-52,225	-568,689
EBIT	28,636,802	41,839,282	11,142,431
EBITDA	34,615,026	48,028,742	12,588,181
Financial Income/ Expenses	-26,763,061	-24,206,324	-5,653,643
PBT	1,873,742	17,632,958	5,488,788
Taxes	354,301	-1,799,514	-2,012,265
Net income	<u>\$2,228,042</u>	<u>\$15,833,444</u>	<u>\$3,476,523</u>

Source: KAP (Public Disclosure Platform), "Audited Financials, NOBEL ILAC, SANAYII VE TICARET A.S. Financial Report December 31, 2016," <https://www.kap.org.tr/en/ek-indir/4028328d59de8491015a89ffd4870ddf>, <https://www.kap.org.tr/tr/BildirimPdf/624170>, <https://www.kap.org.tr/tr/Bildirim/624043>, accessed February 2019.

Note: *Converted from Turkish lira to USD at yearly average rate 2.72 for 2015; **converted from Turkish lira to USD at yearly average rate 3.02 for 2016; *** converted from Turkish lira to USD at yearly average rate 3.63 for 2017 via oanda.com, accessed October 2018.

Exhibit 2 Demographic Indicators, Turkey (2010-2016)

	2010	2011	2012	2013	2014	2015	2016
Population (millions)	73	74	75	76	77	78	79
Population Growth, annual %	1.4%	1.2%	1.4%	1.3%	1.3%	1.4%	1.3%
Ages 0-14, % of total	25.6%	25.3%	24.9%	24.6%	24.3%	24.0%	23.7%
Ages 15-64, % of total	67.2%	67.4%	67.6%	67.7%	67.8%	67.8%	68.0%
Ages 65 and above, % of total	7.2%	7.3%	7.5%	7.7%	8.0%	8.2%	8.3%

Source: Compiled from Turkish Statistical Institute, "Population by Years, Age Group and Sex, Census of Population - ABPRS," <http://www.tuik.gov.tr/UstMenu.do?metod=temelist>, accessed September 2018.

Exhibit 3 Economic Indicators, Turkey (2010-2016)

	2010	2011	2012	2013	2014	2015	2016
Nominal GDP (billion \$)	732	775	789	823	798	722	721
GDP growth (%)	9%	9%	2%	4%	3%	3%	3%
GDP per capita (\$)	10,002	10,438	10,490	10,821	10,381	9,290	9,180
Gross national savings (% of GDP)	13%	14%	14%	13%	14%	16%	16%
Private consumption (% of GDP)	72%	71%	70%	71%	69%	69%	N/A
Net direct investment flows (billion \$)	8	14	9	9	5	12	N/A
Inflation (%)	9%	6%	9%	7%	9%	7%	7%
Unemployment rate (%)	11%	9%	8%	9%	10%	11%	11%
Government net debt (% of GDP)	35%	31%	28%	27%	25%	24%	25%
Current account balance (% of GDP)	-6%	-10%	-6%	-8%	-6%	-5%	-5%

Source: Compiled from World DataBank, The World Bank Group, accessed February 2016, Economist Intelligence Unit, EIU Country Data, accessed February 2016 and International Monetary Fund, "World Economic Outlook Database October 2015," <https://www.imf.org/external/pubs/ft/weo/2015/02/weodata/index.aspx>, accessed September 2018.

Note: All data are based on nominal prices. Annual percentage growth rate of GDP is based on constant local currency (Turkish Lira). Aggregates are based on constant 2010 U.S. dollars.

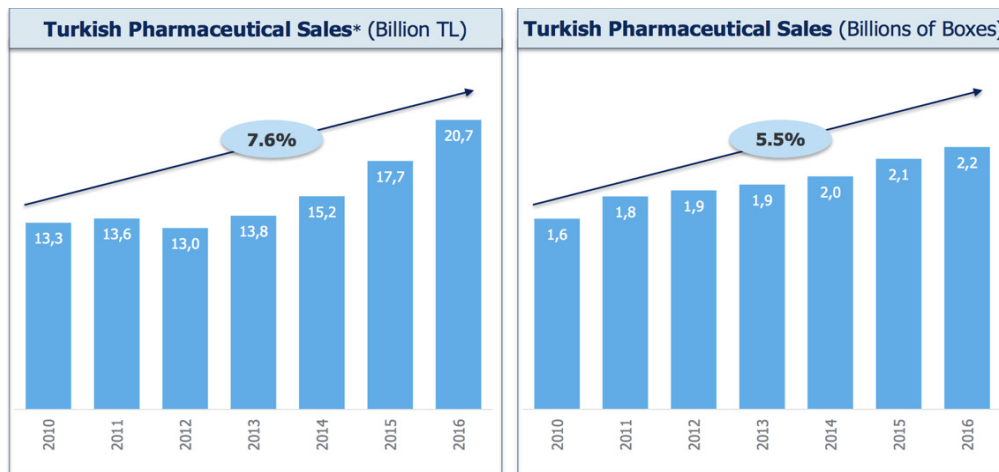
Exhibit 4 Health Care Expenditures by Country, % of gross domestic product

	2013	2014	2015	2016	2017
Canada	10.13	9.97	10.38	10.54*	10.4
Chile	7.36	7.62	8.02	8.19	8.1
Denmark	10.17	10.17	10.27	10.35	10.2
Finland	9.49	9.48	9.74***	9.52	9.2
France	11.44	11.60	11.50	11.54	11.5
Germany	10.92	10.96	11.08	11.14	11.3
Greece	8.41	7.95	8.19	8.45	8.3**
Hungary	7.26	7.09	7.12	7.37	7.2
Italy	8.95	9.01	8.99	8.94	8.9
Japan	10.79	10.83	10.87	10.84**	10.75
Korea	6.58	6.82	7.05	7.34	7.57
Mexico	5.94	5.61	5.76	5.47***	5.4
Netherlands	10.90	10.86	10.40	10.36	10.14
Slovenia	8.68	8.48	8.49	8.47	8.29
Spain	9.03	9.02	9.12	8.97	8.84
Sweden	11.10	11.14	11.01	10.94	10.92
Switzerland	11.31	11.49	11.89	12.25	12.26
Turkey	4.40	4.35	4.14	4.31	4.23
United Kingdom	9.77***	9.72	9.79	9.76	9.69
United States	16.33	16.51	16.82	17.07	17.15
OECD AVERAGE	8.82	8.80	8.81	8.88	8.82

Source: Data compiled from OECD Statistics, "OECD Health Statistics 2018 - Frequently Requested Data," <http://www.oecd.org/els/health-systems/health-statistics.htm>, accessed September, 2018.

Note: * denotes provisional; ** denotes estimated; *** denotes break.

Exhibit 5a Turkish Pharma Market by Units and Revenue



Source: Republic of Turkey Prime Ministry Investment Support and Promotion Agency, "Why Invest in Turkish Pharmaceutical Industry?", <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/PHARMACEUTICAL.INDUSTRY.pdf>, accessed October 1, 2018.

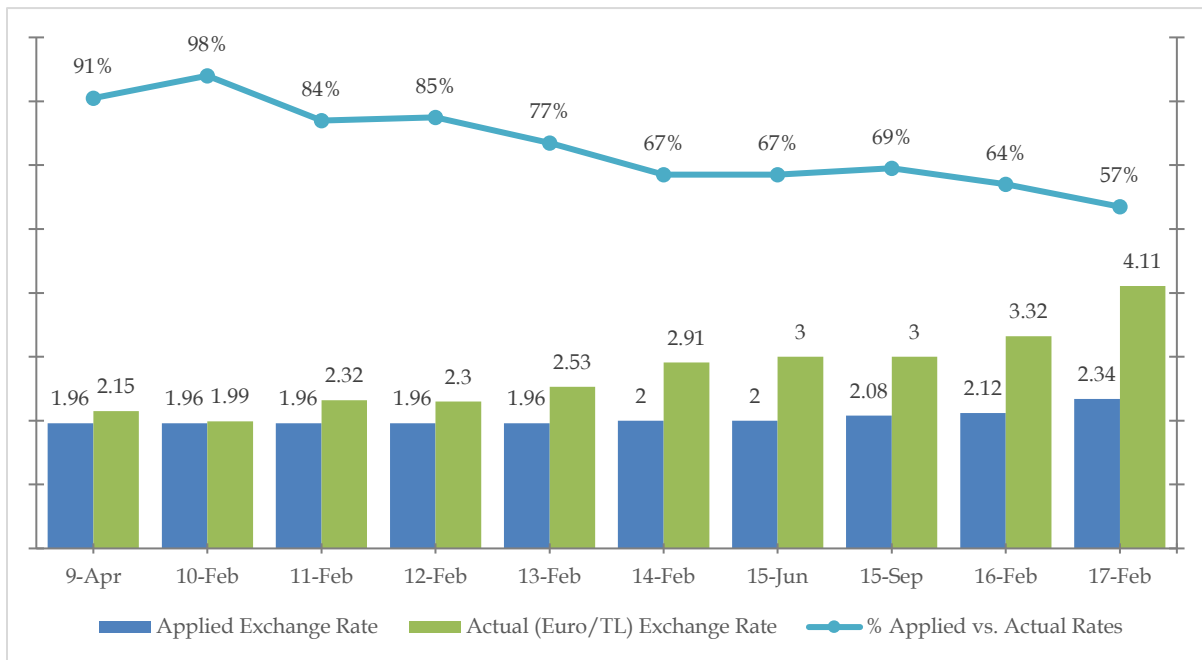
Exhibit 5b Pharmaceutical Markets by Country by Year

Rank	2011	Index	Rank	2016	Index	Rank	2021	Index
1	USA	100	1	USA	100	1	USA	100
2	▲2 Japan	24	2	▲1 China	26	2	Japan	25
3	China	20	3	▼1 Japan	19	3	China	14
4	Germany	11	4	Germany	10	4	Germany	8
5	▼2 France	10	5	France	7	5	▲3 Brazil	6
6	Italy	7	6	Italy	6	6	▲1 UK	6
7	UK	6	7	UK	6	7	▼1 Italy	5
8	Spain	6	8	▲2 Brazil	6	8	▼3 France	5
9	Canada	5	9	▼1 Spain	5	9	▲2 India	5
10	▲1 Brazil	5	10	▼1 Canada	4	10	▼1 Spain	4
11	▼1 South Korea	3	11	▲2 India	4	11	▼1 Canada	4
12	Australia	3	12	▼2 South Korea	3	12	▲1 South Korea	2
13	▲1 India	3	13	▼2 Russia	3	13	▲1 Russia	2
14	▼1 Mexico	2	14	▲1 Russia	3	14	▲2 Turkey	2
15	▲7 Russia	2	15	▼1 Mexico	2	15	▼3 Australia	2
16	▲3 Poland	2	16	▲5 Turkey	2	16	▼1 Mexico	2
17	▲9 Argentina	2	17	▼1 Poland	1	17	▲1 Saudi Arabia	1
18	▼3 Netherlands	2	18	▲6 Saudi Arabia	1	18	▼1 Poland	1
19	▼3 Belgium	2	19	▲2 Argentina	1	19	Argentina	1
20	▼5 Switzerland	2	20	Switzerland	1	20	▲7 Egypt	1

Source: Market Prognosis, Oct 2016, Rankings based on Constant US\$. Index reflects comparison to the U.S. of spending in Constant US\$. ▲ Change in ranking over prior five years

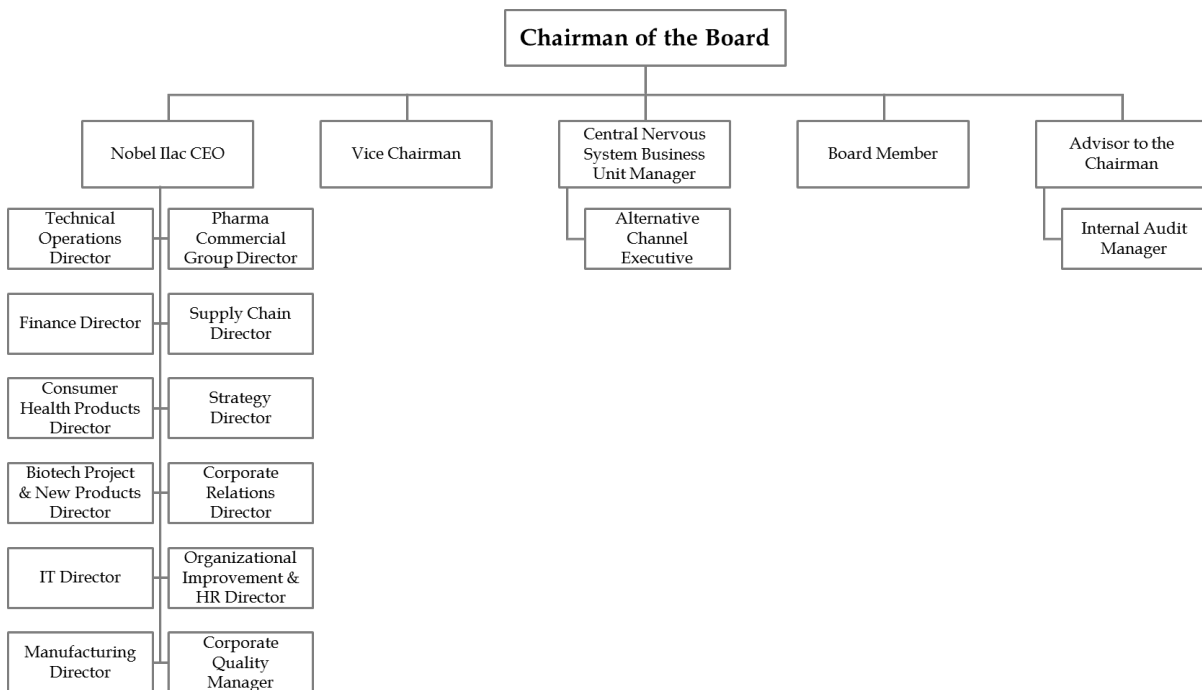
Source: Republic of Turkey Prime Ministry Investment Support and Promotion Agency, "Why Invest in Turkish Pharmaceutical Industry?", <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/PHARMACEUTICAL.INDUSTRY.pdf>, accessed October 1, 2018.

Exhibit 6 Actual vs. Applied Exchange Rates



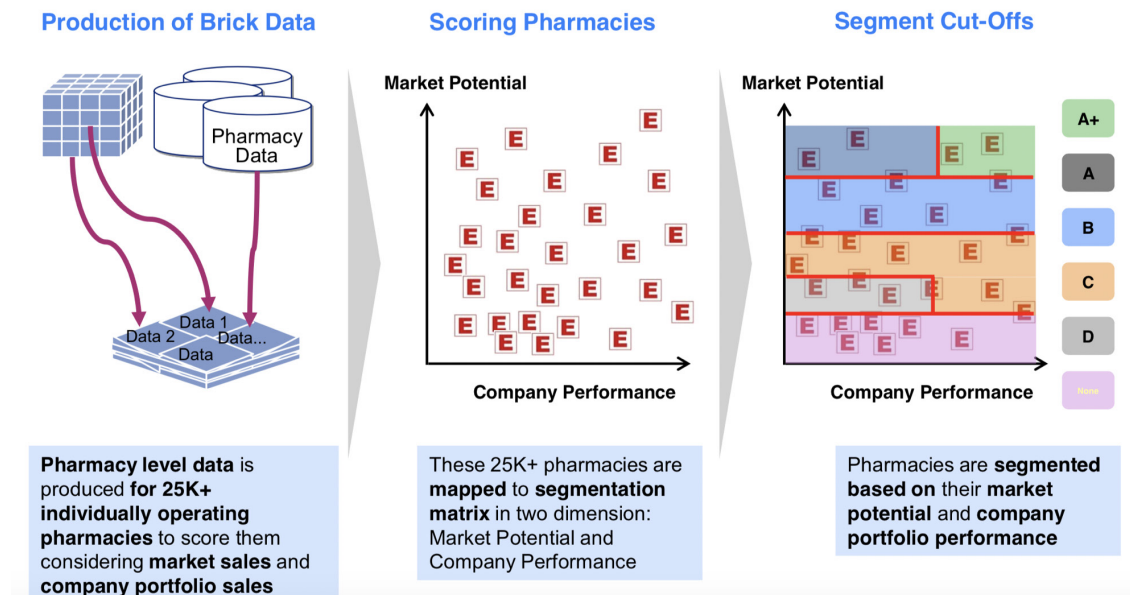
Source: Company documents.

Exhibit 7 Organizational Structure (2017), Nobel Ilac



Source: Company documents.

Exhibit 8 Customer Segmentation by Market Potential and Company Performance



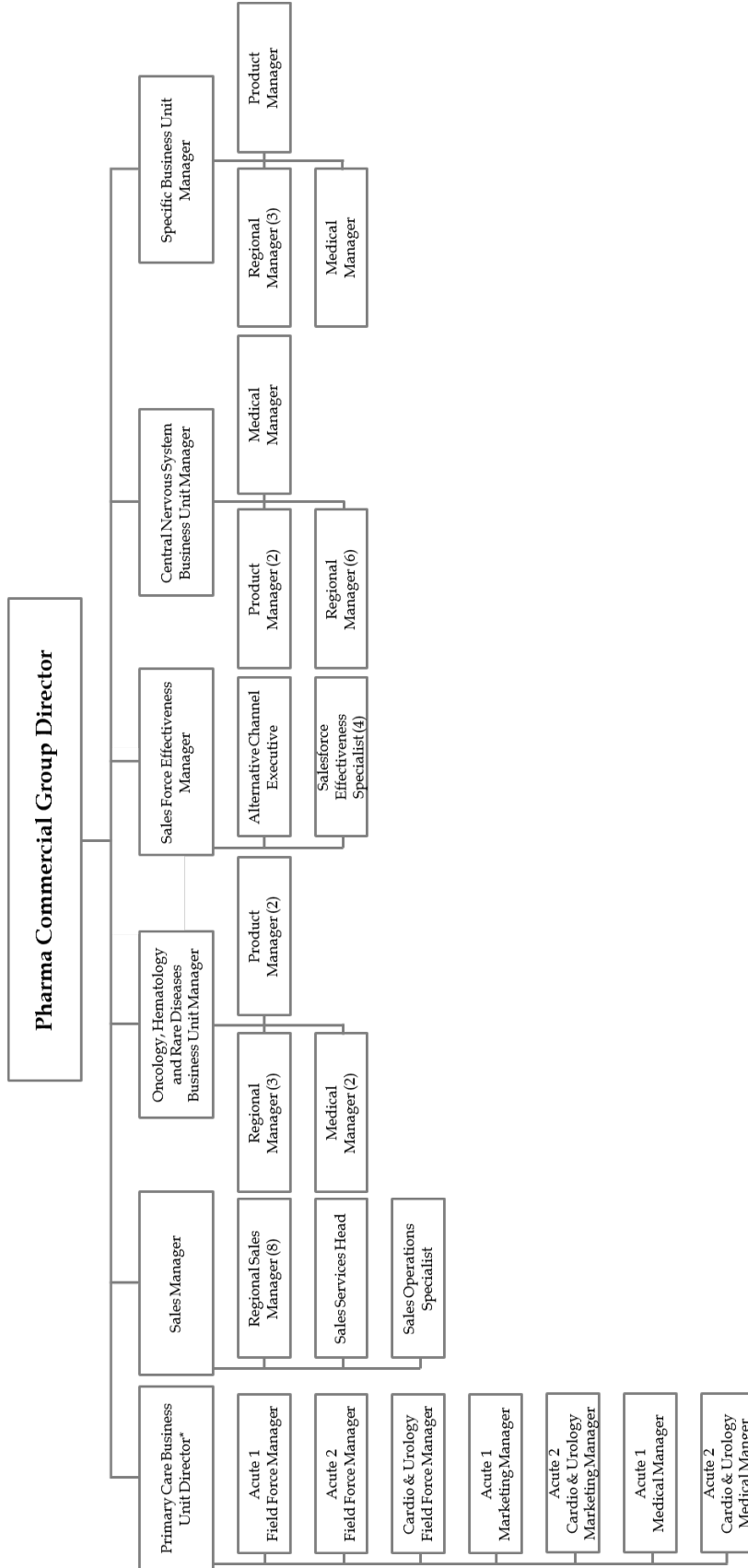
Source: Company documents.

Exhibit 9 Results, Exit Surveys

	2016	2017 (September)
Pay too Low, switch to different company	62.8%	61.0%
Working Hours, switch to different company	19.4%	20.3%
Switching sectors	4.3%	8.5%
Low performance	10.3%	6.8%
Unsatisfied w/quota system	1.9%	1.7%
Does not believe that career path is open at Nobel	-	1.7%
Marriage	1.3%	-

Source: Company documents.

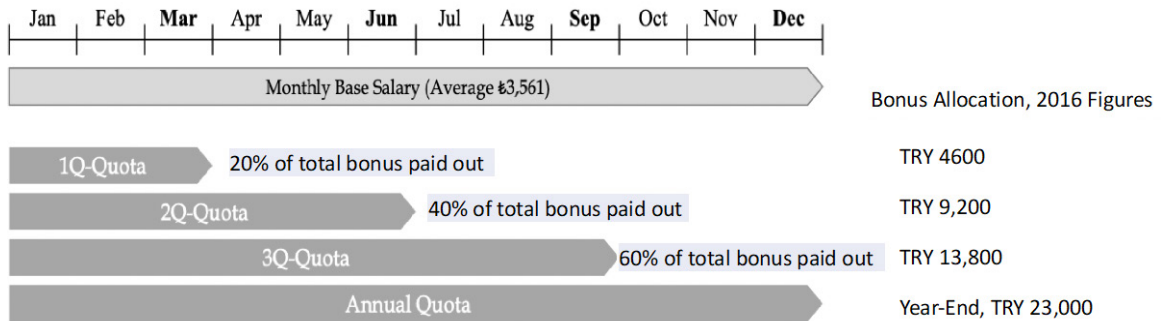
Exhibit 10 Organizational Structure (2017), Pharma Group, Nobel Ilac



Source: Company documents.

Note: *25 regional managers operated under field force managers, and 6 product managers operated under marketing managers.

Exhibit 11 Sales Force Compensation Scheme, Nobel Ilac



Source: Developed by casewriters based on company documents.

Note: Numbers are approximate for confidentiality.

Endnotes

- ¹ Republic of Turkey Prime Ministry Investment Support and Promotion Agency Report, "Why invest in Turkish Pharmaceutical Industry," <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/PHARMACEUTICAL.INDUSTRY.pdf>, accessed October 2018.
- ² "2016 Top Markets Report Pharmaceuticals Country Case Study-Turkey," International Trade Administration, 2016, https://www.trade.gov/topmarkets/pdf/Pharmaceuticals_Turkey.pdf, accessed October 2018.
- ³ Republic of Turkey Prime Ministry Investment Support and Promotion Agency Report, "Why invest in Turkish Pharmaceutical Industry," <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/PHARMACEUTICAL.INDUSTRY.pdf>, accessed October 2018.
- ⁴ Kadir Gursoy, "An Analysis of Public Pharmaceutical Policy, Pricing and Spending in Turkey," Journal of Social Security, March 2016, Volume 6, Number 1, Page 225-243, <http://dergipark.gov.tr/download/article-file/297646>, accessed October 2018.
- ⁵ Ibid.
- ⁶ Kerim Karakaya, Beliz Buyukonal, "Industry Explorations Turkey Pharmaceuticals 2016," Cphl-Fortune Turkiye, 2016, https://www.hasbiotech.com/uploads/Fortune_Turkey_Pharmaceuticals_2016_-_Industry_Explorations.pdf, accessed October 2018.
- ⁷ "2016 Top Markets Report Pharmaceuticals Country Case Study-Turkey," International Trade Administration, 2016, https://www.trade.gov/topmarkets/pdf/Pharmaceuticals_Turkey.pdf, accessed October 2018.
- ⁸ "2016 Top Markets Report Pharmaceuticals Country Case Study-Turkey," International Trade Administration, 2016, https://www.trade.gov/topmarkets/pdf/Pharmaceuticals_Turkey.pdf, accessed October 2018.
- ⁹ Yusuf Celik, Andreas Seiter, "Turkish Pharmaceutical Sector Analysis," 2008, <https://openknowledge.worldbank.org/bitstream/handle/10986/28110/810200WP0Turke000PUBLIC00Box379825B.pdf?sequence=1&isAllowed=y>, accessed October 2018.
- ¹⁰ "2016 Top Markets Report Pharmaceuticals Country Case Study-Turkey," International Trade Administration, 2016, https://www.trade.gov/topmarkets/pdf/Pharmaceuticals_Turkey.pdf, accessed October 2018.
- ¹¹ Kadir Gursoy, "An Analysis of Public Pharmaceutical Policy, Pricing and Spending in Turkey," Journal of Social Security, March 2016, Volume 6, Number 1, Page 225-243, <http://dergipark.gov.tr/download/article-file/297646>, accessed October 2018.
- ¹² Ibid.
- ¹³ Yusuf Celik, Andreas Seiter, "Turkish Pharmaceutical Sector Analysis," 2008, <https://openknowledge.worldbank.org/bitstream/handle/10986/28110/810200WP0Turke000PUBLIC00Box379825B.pdf?sequence=1&isAllowed=y>, accessed October 2018.
- ¹⁴ Alice Pascoletti, JP Stevenson, "Industry Explorations Turkey Pharmaceuticals 2015," Cphl-Fortune Turkiye, 2015, CPhl-Global Business Reports, <http://www.ieis.org.tr/ieis/assets/media/untitled%20folder/Turkey%20Pharmaceuticals%202015%20-%20Book%204.pdf>, accessed October 2018.
- ¹⁵ "2016 Top Markets Report Pharmaceuticals Country Case Study-Turkey," International Trade Administration, 2016, https://www.trade.gov/topmarkets/pdf/Pharmaceuticals_Turkey.pdf, accessed October 2018.
- ¹⁶ Ibid.
- ¹⁷ Yusuf Celik, Andreas Seiter, "Turkish Pharmaceutical Sector Analysis," 2008, <https://openknowledge.worldbank.org/bitstream/handle/10986/28110/810200WP0Turke000PUBLIC00Box379825B.pdf?sequence=1&isAllowed=y>, accessed October 2018.
- ¹⁸ Cem Baydar, "Nobel Ilac Pharmacy Segmentation Performance Impact Analysis," presented to Nobel in 2017.

- ¹⁹ Yusuf Celik, Andreas Seiter, "Turkish Pharmaceutical Sector Analysis," 2008, <https://openknowledge.worldbank.org/bitstream/handle/10986/28110/810200WP0Turke000PUBLIC00Box379825B.pdf?sequence=1&isAllowed=y>, accessed October 2018.
- ²⁰ "Turkish Pharmaceutical Market, 2016," Pharmaceutical Manufacturers Association of Turkey, May 2017, http://www.ieis.org.tr/ieis/assets/media/Raporlar/TR_Pharma_Market2016.pdf, accessed October 2018.
- ²¹ Ibid.
- ²² Hale Toklu, Gul Dulger, Seyhan Hidiroglu, Ahmet Akici, Aslihan Yetim, Mustafa Gannemoglu, Hasim Gunes, "Knowledge and attitudes of the pharmacists, prescribers and patients towards generic drug use in Istanbul - Turkey," *Pharmacy Practice*, December 6, 2012, <https://www.pharmacypractice.org/journal/index.php/pp/article/view/4/5>, accessed October 2018.
- ²³ Yusuf Celik, Andreas Seiter, "Turkish Pharmaceutical Sector Analysis," 2008, <https://openknowledge.worldbank.org/bitstream/handle/10986/28110/810200WP0Turke000PUBLIC00Box379825B.pdf?sequence=1&isAllowed=y>, accessed October 2018.
- ²⁴ "Turkish Pharmaceutical Market, 2016," Pharmaceutical Manufacturers Association of Turkey, May 2017, http://www.ieis.org.tr/ieis/assets/media/Raporlar/TR_Pharma_Market2016.pdf, accessed October 2018.
- ²⁵ Didem Toker, Hakan Tozan, Ozalp Vayvay, "A Decision Model for Pharmaceutical Marketing and a Case Study in Turkey," *Ekonomiska Istrazivanja*, March 2013, Volume 26 (1) p. 101-114, <https://hrcak.srce.hr/file/152907>, accessed October 2018.
- ²⁶ Nobel Ilac, "Hakkimizda," <http://www.nobel.com.tr/hakkimizda>, accessed October 2018.
- ²⁷ Munis Dundar, Asli Subasioglu Uzak, Yesim Karabulut, "Healthcare in overview of Turkey, Springer EPMA Journal, October 8, 2010, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3405350/>, accessed October 2018.