September 2025

Brand strategy with forecast and key performance indicators

Nearly every company with a branded biopharmaceutical or medical device develops a marketing strategy, a financial forecast, and tracking reports with key performance indicators (KPIs) for that product. The strategy, forecast, and KPIs are all intended to help provide stakeholders across the organization with a view into where promotional efforts should focus and to track the brand's progress toward achieving its strategic and financial goals.

Below is a simple example of what the strategy, forecast, and KPIs might look like for a typical brand (see Figure 1).

Figure 1

Brand strategy

Leverage new clinical data to engage new prescribers.

Brand forecast

Metric	Prior Year (Actual)	Current Year (Forecast)	Current Year (Actual)	Current Year Actual vs. Forecast
Total Units	1,000	1,200	1,100	**-1,000**
Average Unit Price	$100	$100	$100	n/c
Sales	**$100,000**	**$120,000**	**$110,000**	**-$10,000**

Brand KPIs

Metric	Prior Year (Actual)	Current Year (Actual)	Change vs. Prior Year
Prescriber Perception of Brand Data	Neutral 4 out 7	Positive 5 out of 7	**+1 point**
New Prescriptions (NRx)	200	300	**+100**
NRx Market Share	10%	20%	**+10% (absolute)**
Total Prescriptions (TRx)	500	600	**+100**
TRx Market Share	10%	11%	**+1% (absolute)**

Figure 1 above shows how each KPI component helps deliver key insights into overall brand performance. Financially, the brand is behind forecast by $10,000, or 8.3%, due to lower-than-expected total unit growth. However, the brand is showing progress in other areas, with improvement in prescriber data perception and new prescription growth, both of which indicate successful execution of the brand strategy. The conflicting performance between forecast and actual KPIs leaves several key questions unanswered.

- What caused the brand to fall short of forecast?
- Are the forecast target expectations unrealistic?
- Is the brand failing to execute on the strategy despite strong performance of KPIs?
- Is it a mix of both? Or are other factors involved?

When discrepancies like this emerge, the brand, finance, and market insights teams will typically undertake various disparate analyses to try to answer these questions. However, these efforts may still fail to generate definitive answers even with dedication of significant time and resources. A better path forward is to start with a forecast and KPIs that are better aligned with the strategy and each other.

Conflicting performance like that seen in the example above occurs when the strategy, forecast, and KPIs are not adequately aligned. This happens in most organizations because each component is developed independently across siloed functional groups using different metrics and data sources. Typically, the brand team conducts and analyzes market research to create the marketing strategy. The finance team analyzes historical sales trends, applies analogs, and aligns with corporate budget needs to develop the forecast. The market insights group leverages internal and third-party data sources and its own market research to develop the reports to track performance. Without a harmonized process that integrates across these different workstreams and data sources, it is difficult to ensure alignment across the strategy, forecast, and KPIs.

While maintaining alignment across multiple workstreams may sound daunting, it is critical to the effective evaluation and adjustment of brand performance. In fact, the process to align strategy, forecast, and KPIs can be made relatively straightforward:

- The first step of this process is to evaluate how well the strategy aligns with the forecast and KPIs. In our example, the forecast does not align well with brand strategy. While the strategy is to increase new prescribers, such a high-level forecast fails to isolate and reflect their expected contribution. The forecast could be improved by including expectations for the number of new prescribers and how many prescriptions, units, and sales they generate.

- The second step is to look at alignment between the strategy and KPIs. Here, alignment is better overall, but the associated KPIs track only new prescriptions. Since the strategy focuses on new prescribers, it is not clear how much of the growth in new prescriptions is attributable to new prescribers. Similar to the forecast, KPIs also could be improved by tracking the number of new prescribers and how many prescriptions they generate.

- The third step is to check alignment between the forecast and KPIs. Here, the forecast is based on units while the associated KPIs are based on prescriptions. While the two metrics are usually correlated, there is potential for significant differences from different data sources for units and prescribers or changes in other market dynamics, such as shifts in prescribing trends or managed care policies. Alignment between forecast and KPIs could be improved with the use of multiple shared metric(s) (e.g., units, prescriptions, or both across new, existing, and total prescribers) that would enable tracking of various KPIs over time and linking the impact of their underperformance or overperformance on the forecast. This would help establish a link from new insights driven by the KPIs into brand performance vis-à-vis strategy and financial performance relative to forecast. The findings from our evaluation of alignment across brand strategy, forecast, and KPIs are summarized in the table below.

Evaluation of alignment between strategy, forecast, and KPIs

Alignment	Assessment	Areas for improvement
Forecast with strategy	Poor	• Fails to reflect contribution from new prescribers
KPIs with strategy	OK	• Reflects new prescriptions vs. contribution from new prescribers
Forecast with KPIs	Poor	• Forecast and KPI metrics do not align (units vs. prescriptions) • KPI thresholds needed to achieve forecast are not established

The above process of connecting strategy, forecast, and KPIs identified two key changes to improve the utility of the forecast and KPIs. The first change is to modify the forecast and KPIs to reflect the relative contributions from both new and existing prescribers so they better align with the brand strategy of new prescriber growth. The second change is to align the forecast and KPIs to use the same metrics (e.g., number of prescribers, prescriptions, and units) and thereby link the various KPIs to the forecast. A summary in the table below illustrates what the new integrated brand forecast and KPIs might look like when these changes are implemented.

Integrated brand forecast and KPIs

Metric		Prior Year (Actual)	Current Year (Forecast)	Current Year (Actual)	Current Year Actual vs. Forecast
Existing Prescribers	Prescribers	40	40	40	n/c
	Average Rx	10.0	10.0	10.0	n/c
	Total Rx	**400**	**400**	**400**	**n/c**
	Units per Rx	2.0	2.0	2.0	n/c
	Total Units	**800**	**800**	**800**	**n/c**
New Prescribers	Prescribers	10	20	20	n/c
	Average Rx	10.0	10.0	10.0	n/c
	Total Rx	**100**	**200**	**200**	**n/c**
	Units per Rx	2.0	2.0	1.5	-0.5
	Total Units	**200**	**400**	**300**	**-100**
Total Prescribers	Prescribers	50	60	60	n/c
	Average Rx	10.0	10.0	10.0	n/c
	Total Rx	**500**	**600**	**600**	**n/c**
	Units per Rx	2.0	2.0	1.83	-0.17
	Total Units	**1,000**	**1,200**	**1,100**	**-100**

As seen above, aligning the brand forecast, KPIs, and strategy allows us to gain better insights into overall performance. These insights clarify previously observed discrepancies between the original forecast and KPIs. As a result, it is apparent that the brand is for the most part executing against the strategy to increase new prescribers. More important, this alignment also provides added insight into what is driving the shortfall versus forecast: lower-than-expected conversion of prescriptions into units. This additional insight helps the brand team better understand what elements of its strategy are having a positive or negative impact relative to forecast. The brand team can now focus on what is causing the lower-than-expected units per prescription, such as higher-than-expected use of free samples to new prescribers.

As illustrated in this example, one clear application of this framework is to help understand observed divergences between forecast and KPI performance. While retrospective analyses like this can generate valuable insights, greater value is achieved when the framework is implemented as part of the strategy and forecast development process. The first benefit is to provide a check of the strategic and forecast assumptions. It’s not uncommon for a forecast or strategy that appears reasonable on the surface (e.g., grow sales 20%) to be quite unrealistic when put in the context of the requirements to achieve the objectives (e.g., requires a 500% increase in new users over historical levels).

The second benefit is to help ensure organizational alignment and to provide clear direction on how strategic and financial objectives can be achieved. For example, a typical strategy might be to increase new prescribers with the financial goal to grow sales by 20%, but this is vague and lacks direction for how these goals are to be achieved. Using this framework can help establish key links between strategic and financial goals that improve actionability. For example, sales growth of 20% is achieved when the number of new prescribers increases from 10 to 20 while maintaining current prescriber levels. In addition to providing more actionable insights, this also provides an improved mechanism to track performance versus target over time.

If the brand is using aligned strategy, forecast, and KPIs and performance deviates from expectations, the brand will quickly have key directional insights into drivers of the deviation. In this example the brand leadership will know what is driving the observed variance (e.g., Current or new prescribers? Number of prescribers or the average units per prescriber?). With these insights readily available, the brand can save on the time and resources that otherwise would be spent investigating causes and quickly begin work on potential corrective actions.

We have found that many organizations face challenges like these aligning forecasts across different functional areas including finance, marketing, market access, and business analytics. If your organization is facing challenges aligning your forecasts with brand strategy and KPIs, contact CRA and we can help align strategy, insights, and performance for success.

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