Pharmaceutical Industry:

A Transformational Model for Growth Using a Customer-Centric Approach

Peppers & Rogers Group

www.peppersandrogersgroup.com
A New Reality

The good old days of the blockbusters are gone. The pharmaceutical industry has to adapt to a new reality and the changes that come along with it. The patent cliff is no longer years away, it is here now. Healthcare reform, changing customer expectations, technology advancements, and cost containment signal that pharma companies must rethink the traditional industry paradigm.

The emerging healthcare ecosystem is one where the patient is a focal point for a myriad of healthcare services. In order for pharma to participate in the new ecosystem, the industry must not only focus on the patient, but also partner with its stakeholders to improve health outcomes, costs, and experiences. Organizations will thrive if they transition by recognizing and engaging their respective constituencies. Those that don’t will experience the full force of changing market dynamics.

Pharma companies must step back and think strategically, starting with the definition of “customer.” The definition of customer has evolved from “someone who buys good or services” to “an individual with whom one must deal,” which implies emphasis on the relationship. In pharma, a customer can be a patient, physician, payer, or provider. Companies that proactively engage the customer, whoever that may be, will be able to navigate the rapidly changing environment. The emerging business model is one that accentuates consumer choice, explicit value versus price considerations, engagement and dialog, and lifestyle care.

Pharma companies will have to overcome current challenges when engaging different stakeholders. It’s up to them to recognize these components and craft customer-centric strategies that recognize and adapt to change.

FIGURE 1:
Challenges of Pharma Engagement
Three important stakeholders offer unique sets of challenges when it comes to engagement.

- **Engaging Patients**
  - Demand for more and better information
  - Higher price sensitivity due to economic pressure and emphasis on wellness and preventative care
  - Increased coverage by government plans (e.g. Medicaid, Exchanges)

- **Engaging Payers**
  - Increased focus on generic substitution to drive down drug cost
  - Increased bargaining power in favor of payers due to industry consolidation (e.g. ESI-Medco)
  - Emphasis on comparative effectiveness to “justify” coverage

- **Engaging Physicians**
  - Diminishing access and time spent with prescribers and HCPs
  - Demand for quick and interactive access to information
  - Concerns about public perception due to regulatory reporting requirements (e.g. Sunshine Act)

Source: Peppers & Rogers Group
Why customer centricity matters in pharma

Pharma must take a new approach to business as the industry transforms. Decision-making was once the domain of the physician, but increased patient activity blurs the line as to who owns the relationship with pharma companies. Balancing cost with effectiveness is a top strategic priority, as is getting the right message to the right constituencies through multiple owned and independent channels. And while engagement is a critical consideration, communication and dialog with stakeholders is happening outside of traditional venues. Pharma must contend with new audiences looking for new products and new information in new channels, all while managing costs and delivering safety and efficacy. In addition, pharma must focus on delivering value as part of engaging healthcare stakeholders (e.g. payers and providers).

Patients are changing their attitudes and behavior toward healthcare. They have an increased awareness and role in decision-making, due in large part to shifting financial responsibility. They are hungry for information from numerous sources—from their doctor and health insurer to their pharmacist, drug companies, independent experts, and peers. They are looking for guidance as they navigate the increasingly complex world of healthcare. And they want to break down traditional communication barriers to enable interactive dialog, not just a one-way flow of information.

The days of controlling the message are over. Transparency is expected, and complete control is a thing of the past. Customer-focused pharma companies seek out opportunities to transparently engage consumers, physicians, payers, and other customer groups wherever discussion is taking place. And as channels expand, opportunities arise to interact efficiently, effectively, and relevantly with different stakeholder groups in preferred and appropriate channels, depending on the needs, values, and behaviors of each group.
Patients have an increased awareness and role in decision-making, due to shifting financial responsibility.

Customer centricity provides pharma companies with a blueprint for engaging all parties by focusing on their needs and priorities, highlighting product value, and delivering a quality product and/or service. As healthcare delivery shifts from consumer awareness to decision management, pharma must collect, analyze, and act on information about patients, physicians, payers, and other stakeholders to engage decision-makers at every level. In addition, “total value of treatment” should be driven by the value delivered to the patients and their experience during the treatment process.

The evolution of customer engagement in pharma

Political, economic, social, cultural, technological, legal, and business trends have evolved to create a new paradigm. The industry mindset has changed from ignoring customers to informing them and engaging them, with consumer opportunities and impact increasing along the way.

FIGURE 3:
From Ignoring Customers to Engaging Them

Over the past twenty years, the nature of the relationship has changed dramatically and has impacted every aspect of the go-to-market strategy.

<table>
<thead>
<tr>
<th>1990’s</th>
<th>2000’s</th>
<th>2010’s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales force</strong></td>
<td>One-size fits all approach to sales force</td>
<td>Sales force arms race reaches saturation</td>
</tr>
<tr>
<td><strong>Channel</strong></td>
<td>Little internet and web presence</td>
<td>Internet and web promise but underperform</td>
</tr>
<tr>
<td><strong>Advertising</strong></td>
<td>Consumer advertising is acceptable</td>
<td>Consumer advertising explodes but fails to deliver the bang</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td>Patent cliff is on the horizon, but not top of mind</td>
<td>Blockbusters are harder to come by</td>
</tr>
<tr>
<td><strong>Regulatory Environment</strong></td>
<td>Regulators started to look at personal promotion</td>
<td>Regulators reign in personal promotion</td>
</tr>
<tr>
<td><strong>Patient Engagement</strong></td>
<td>Access to information is scarce, and static</td>
<td>Access to information is easier than ever, but expertise is hard to find</td>
</tr>
<tr>
<td><strong>Consumer Opportunity</strong></td>
<td>None</td>
<td>Minimal</td>
</tr>
<tr>
<td><strong>Consumer Impact</strong></td>
<td>None</td>
<td>Marginal</td>
</tr>
</tbody>
</table>

Source: Peppers & Rogers Group
Peppers & Rogers Group’s Approach

The new reality in healthcare means that companies must either take a customer-centric perspective or succumb to those that do. At Peppers & Rogers Group we believe there are four fronts of customer-centric business strategy where pharma companies can achieve real business results:

Enhanced Patient Experience: Patients are looking for better information and experiences related to their overall healthcare journey. They are leveraging new tools and channels to create a dialog about health, disease areas, and drugs. And with economic issues at the forefront, patients are seeking value while being cost-conscious.

Effective Commercial Model: New marketing tactics are available to transform the commercial model to resonate with Healthcare Professionals (HCPs). There are also new opportunities to engage physicians and healthcare providers in more interactive and efficient ways.

Improved Payer Engagement: Targeting and messaging to payers can be improved by addressing their pain points while still remaining profitable. Information-sharing and dialog is critical with this constituency, with emphasis on patient adoption and access to drugs.

Informed Medical Relationship: It’s important to engage the medical community to ask for feedback and gain insight based on their expertise and experience. There are new tools and channels that can be leveraged to share information and research more effectively with the medical community.

Peppers & Rogers Group’s two decades of customer-centricity domain expertise is applied through the lens of the pharma industry and its unique market dynamics. Figure 4 details a number of recommendations to meet the industry’s changing needs across these four fronts.

**Figure 4:**
Peppers & Rogers Group’s **Expertise in Customer Centricity** and the **Pharma Industry**

Understanding the “customers (e.g. patients, physicians, payers) leads to insights on which strategic and operational recommendations are founded.

**CUSTOMER CENTRICITY**

<table>
<thead>
<tr>
<th>Enhanced Patient Experience</th>
<th>Effective Commercial Model</th>
<th>Improved Payer Engagement</th>
<th>Informed Medical Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Redefining relationships between patient and pharma will be key in pharma’s integration within the healthcare industry</td>
<td>• Pharma’s success in targeting and interacting with HCPs will be measured how seamless and tactful the interactions are</td>
<td>• Transforming the “combative” relationship with payers will be dependent on changing the way pharma engages payers</td>
<td>• Developing “trust” with KOLs will be the difference between the perception as a provider of valuable information and another sales function in the organization</td>
</tr>
<tr>
<td>• We bring a patient-centric view based on patients’ needs and behavior and “Consumer Insights” best practices from other industries</td>
<td>• Our approach to commercial model emphasizes HCP’s priorities, needs, available communication channels, and effective sales force model</td>
<td>• Our approach to payer engagement is based on understanding payers’ pain points and priorities to create a win/win message and to develop innovative ways to contract or partner with payers</td>
<td>• Our approach to building trust is based on competence (i.e. doing things right) and intention (i.e. doing the right thing), proactively</td>
</tr>
</tbody>
</table>

Source: Peppers & Rogers Group
Each company has its own unique challenges and goals. Peppers & Rogers Group works with individual clients to customize the most appropriate initiatives at each stage of the customer-centric roadmap. Whether it’s gathering customer insight, aligning sales and service models, developing a change management program, or executing a strategy across the enterprise, Peppers & Rogers Group works with clients to guide them along their journey to customer centrivity with business benefits all along the way.

How Are We Unique?

Customer-Centric Experience: We bring the best-in-class strategic and in-depth thinking about customer centrivity. We shaped the development for customer centrivity with 10 best-selling books and thousands of articles and research studies in the last 20 years.

Ideas and Execution: We are one of the few management consulting companies that combines thought leadership with industry expertise. Our global team for Life Sciences experts is comprised of experienced consultants with the know-how and practical experience to execute advanced theory.

Practical Results: Our targeted tools and frameworks are the result of hundreds of projects where we not only designed the strategies, but also helped our clients implement them.

Data-Driven Technology: We combine our advanced analytical models with innovative market research techniques to define the best solutions for our clients. Our global analytical center of excellence develops advanced models that serve as a foundation to create customized programs shaped by the strategic direction of each project.

Visionary Thought Leadership

Peppers & Rogers Group founders and globally-recognized customer strategy experts Don Peppers and Martha Rogers, Ph.D. have been prominent catalysts for change at many leading pharmaceutical and life sciences companies. Contributing visionary thought leadership and practical advice on how companies can compete and win in the changing customer landscape, Peppers and Rogers have delivered engaging keynotes, facilitated executive workshops, and worked as executive sponsors on transformational initiatives.
Case Studies: **Practical Customer Centricity in Pharma**

**Individual HCP interaction strategy activates product launch**
In support of a product launch for a new Hepatitis drug, Peppers & Rogers Group worked with a leading pharmaceutical company to understand the value of individual HCPs, assign him or her to a needs group, and tailor interactions to that prescriber. Peppers & Rogers Group applied its value methodology and then used primary research to better understand qualitative strategic value as well as needs (i.e. aggressive thought leaders, non-aggressive patient treaters). Cluster-specific interaction strategies were defined for pre-launch, launch, and post-launch, and those strategies were piloted to a subset of physicians. Results were measured and refinements were made prior to rollout. The program is still considered among the most successful launches in the history of the company.

**Sales force optimization drives growth**
A global leader in life sciences sought to better leverage its institutional sales team in order to improve access to products through enhanced contract negotiation, formulary position, and field sales integration with the development of marketing, analytics, and organizational resources. Peppers & Rogers Group developed a strategic assessment of account management, making detailed recommendations for organizational and process redesign, assessing functionality and technology requirements, and conducting a vendor review for supporting systems. Significant improvement in product access and sales force integration was achieved.

**Customized treatment strategy supports blockbuster sales lift**
A top pharma manufacturer sought to expand the sales of a “blockbuster” drug used for patients. The drug was No. 1 in the company’s portfolio, with sales of $2.3 billion per year. The company’s second-highest-grossing drug was coming off patent soon, and competition was heating up. Peppers & Rogers Group created a pilot program that differentiated a range of physicians by value and defined physician subsets with the highest growth potential. Peppers & Rogers Group’s Life Sciences experts then conducted qualitative needs research, mapped physicians to needs clusters, and designed treatment strategies focused on personalizing communications, support, and modes of contact during the sales process.

**Loyalty strategy for HCPs enable incremental contributions**
With increased competition and products coming off patents, Peppers & Rogers Group helped a leading animal health manufacturer develop a customer strategy based on building loyalty and relevance with 30,000 veterinary clinics in a cost-effective manner to minimize the loss of market share. Peppers & Rogers Group assessed and developed clinic groupings based on customer needs, then developed and implemented a valuation model. The pilot framework for rollout of the customer strategy to the field ensured buy-in, acceptance, and application. The business case demonstrated that Peppers & Rogers Group’s recommended initiatives would provide an estimated $19-34 million in incremental contribution.
Peppers & Rogers Group Healthcare Practice

Peppers & Rogers Group’s Healthcare Practice applies its strategy expertise and market experience to the unique dynamics of the healthcare industry, serving leading Health Insurance, Life Sciences, and Health Delivery enterprises. We offer functional expertise in patient/consumer profiling, stakeholder analytics and segmentation, key influencer strategy, new business development effectiveness, organizational alignment, stakeholder interaction strategies, service line commercialization, case management strategy, automated patient management design, portfolio optimization, privacy compliance, and change management.

Contact information:
Marc Ruggiano, Partner, Healthcare Practice
marc.ruggiano@peppersandrogersgroup.com
203-989-2189

Roger Estafanos, Director, Life Sciences
restafanos@peppersandrogersgroup.com
203-989-2220

Peppers & Rogers Group

Peppers & Rogers Group is a management consulting firm, dedicated to helping its clients improve business performance by shifting focus from transactions to managing relationships. As products and services become commodities and globalization picks up speed, customers have become more demanding and harder to satisfy. They hold the keys to higher profit today and stronger enterprise value tomorrow. We help clients achieve these goals by building the right relationships with the right customers over the right channels.

By delivering a superior customer-based business strategy, we remove the organizational barriers that stand in the way of profitable customer relationships. We show clients where to focus resources and efforts to optimize customer experiences, reduce attrition, increase loyalty, create customer advocacy, and mitigate risks.

For more information, visit www.peppersandrogersgroup.com

www.peppersandrogersgroup.com