

strategy&

***A new era for
pharmaceuticals***

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**New Commercial
Models: What's
working and
what's not**



Executive summary



The pharmaceutical industry is undergoing a commercial evolution. Traditional sales and marketing tactics — such as the classic in-person sales rep model — have declined, straining under the pressure of rising costs, new regulations, increasing provider consolidation, changing operating models, and greater market complexity. The result is that pharma companies and their sales teams are losing critical access to providers and patients. In response, they are investing in new commercial models (NCMs) in an attempt to better engage and sell to customers. Strategy& recently surveyed and interviewed more than 150 senior sales, marketing, and strategy pharma executives across the U.S. and Europe to determine the extent to which NCM elements had been deployed, what lessons had been learned, and which elements the executives consider worth investing in as they go forward. Below, we outline the key findings of the Global Pharma Marketing & Sales Study.

Key findings

Which NCM approaches are being used by pharmaceutical companies?

Fully 72 percent of respondents agree pharma companies have mainly repurposed traditional sales and marketing models and have not created breakthrough innovations.

According to executives, personal-selling approaches such as key account management (KAM) are the most widely used by pharma companies today:

- Fully 92 percent of executives surveyed either have piloted KAM approaches for institutional providers or say that KAM is broadly used.
- Clinical sales force approaches — deploying sales reps with substantial medical knowledge of specific disease areas and relevant therapies — are broadly used by 70 percent of companies and have been piloted by 16 percent.

Digital tools have been at least piloted by 90 percent of pharmaceutical companies as a way to engage providers or offer disease-, product-, or service-specific medical education.

The product budget/outcomes models, or research that is used to assess the impact of a therapy on relevant patient groups, are the most popular NCM content approaches being applied by pharma companies today:

- Nearly 85 percent of executives surveyed have at least piloted product budget/outcomes models, and more than half (51 percent) have widely adopted this tactic.

“[The service rep model] is still an appropriate approach, but will have less and less impact in the future. Good for relationship building but less differentiating.”

New channels, new content

New commercial elements include both new channels for engaging customers and new content to take to them. Some examples:

New channels:

- Key account management (KAM)
- Clinical sales forces
- Patient/physician portals
- Social media promotion
- Dynamic channel management
- Digital tools

New content:

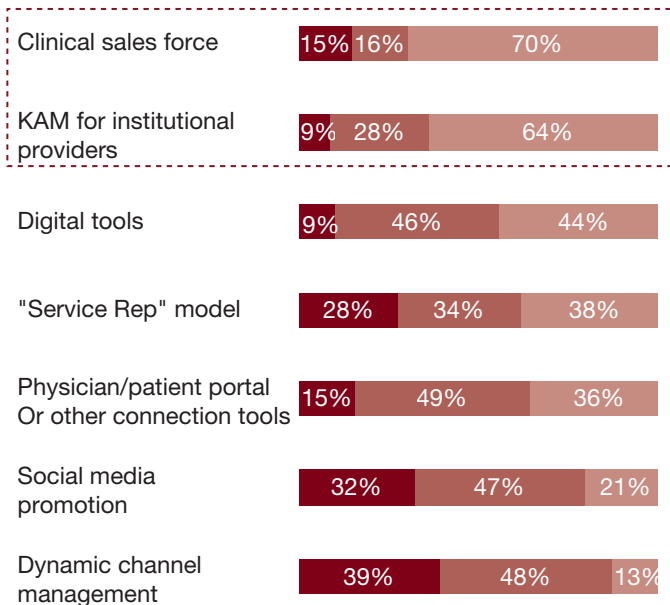
- Product budget/outcomes models
- TA or product-specific value-added services
- Above-the-brand services
- Joint research/analytics with payors and providers
- Disease management services
- Innovative pricing and contract structures

Exhibit 1

The extent to which NCM approaches are being used

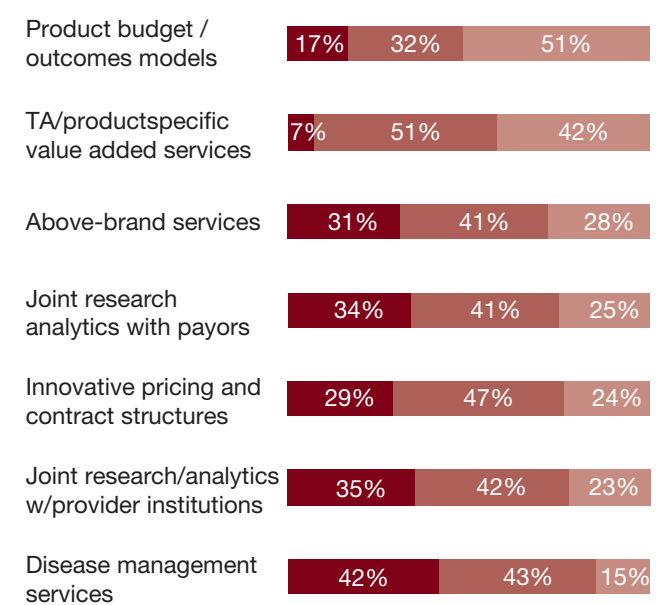
Level of NCM engagement channel adoption by survey respondents

% of respondents (n=149)



Level of content-/value-focused NCM approach adoption by survey respondents

% of respondents (n=149)



Level of implementation:

- Not applied
- Pilot experience
- Broadly used
- ▭ Levers where majority have been applied

Which NCM approaches are successful?

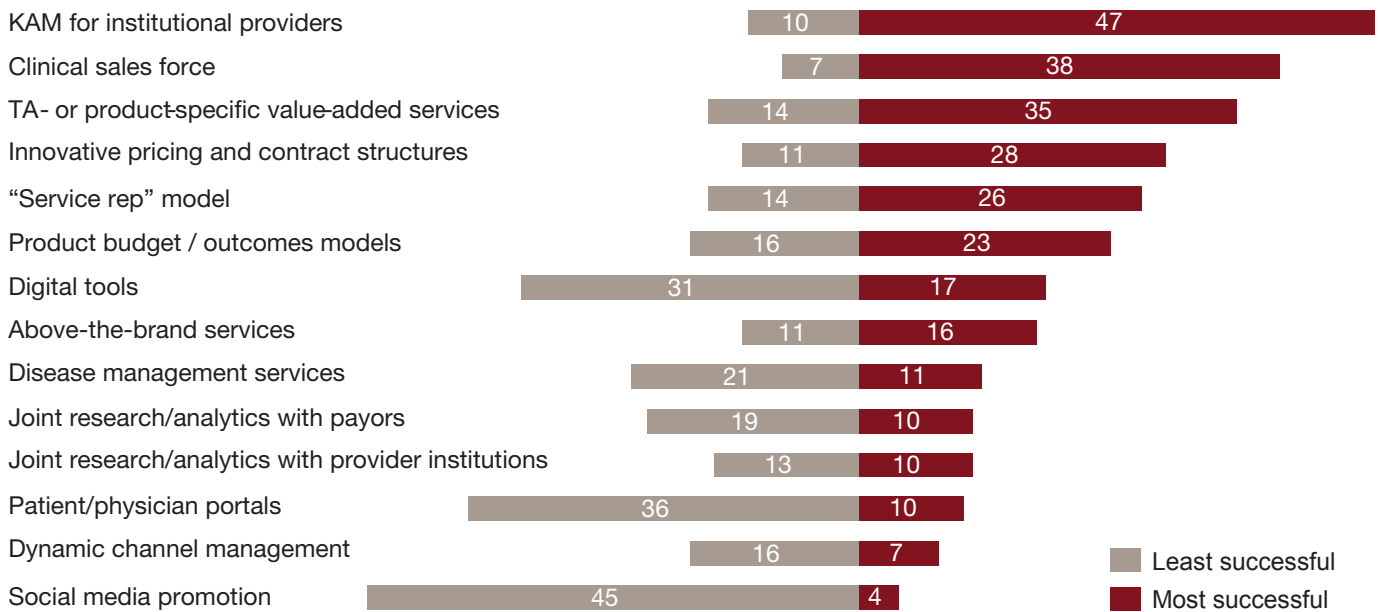
Although more costly and limiting in terms of providing a broad reach, KAM strategies for institutional providers and more clinical specialist-led sales forces ranked as the most successful strategies employed today. Technological tools, on the other hand, are deemed among the least successful NCM elements, despite the “revolutionary” potential of digital cited by many executives.

“Digital tools lack focus and a comprehensive strategy as well as meaningful benchmarks to assess success.”

Exhibit 2

Respondents selecting each element among the three most or least successful NCM approaches applied by their organization

% of respondents (n=136 and 129 for most and least successful, respectively)



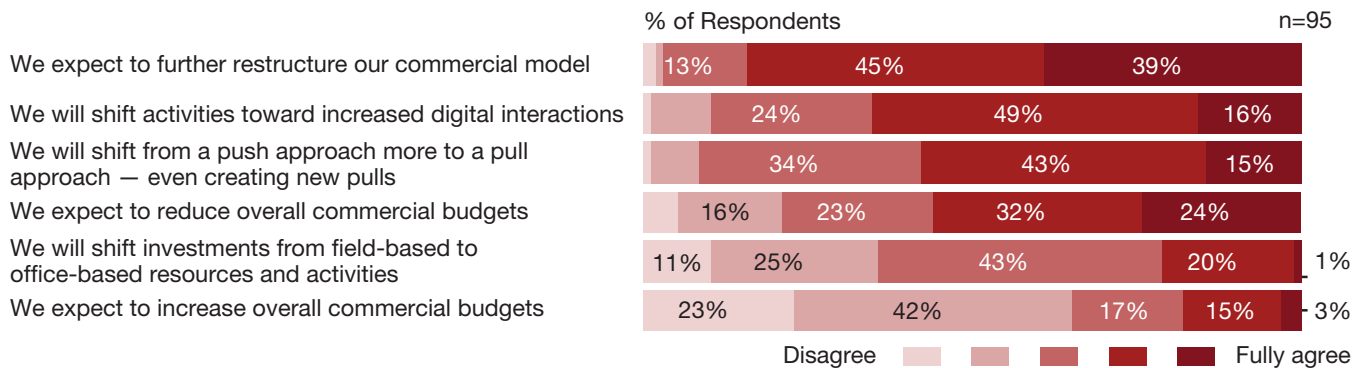
What now?

The great majority — 83 percent — of executives expect to further restructure their commercial model in the next two to three years.

Despite digital being ranked as one of the least successful NCM elements, 65 percent of respondents expect to increase digital interactions.

Exhibit 3

Agreement with potential near-term changes to the commercial approaches



What is holding companies back?

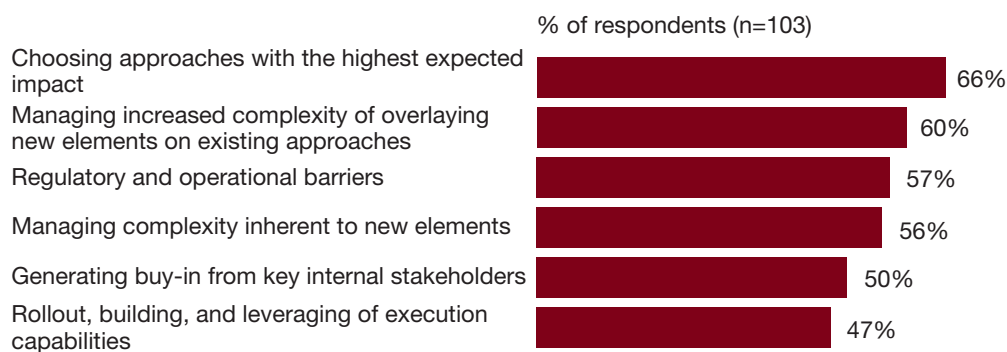
According to the study, a number of organizational barriers exist that are standing in the way of successful NCM implementation:

- More than half of respondents cite several factors as a hindrance to success.
- Most respondents, or 57 percent, agree that regulatory and operational barriers are an obstacle to NCM success but internal barriers present an even greater challenge according to executives.
- Lack of alignment on “what will really work” and managing the complexity of new elements were most often cited as barriers.

“Adoption goes slowly with new tools, in part, because our own internal staff is not comfortable using the new tools. This must be resolved if we are going to have any hope of getting our customers to adopt [them].”

Exhibit 4

Barriers to successful implementation of NCM elements



Strategy& recommendations

In light of these results, pharma executives should:

- Fully embrace the alternative personal selling or KAM methods, with the next steps focusing on better targeting customers and developing engaging value propositions, fostering organizational alignment, and ensuring a better fit with local selling strategies.
- Be judicious with resource allocation by concentrating first on excelling with the NCM approaches that show the most promise, and continually redesigning offerings and tools that have real potential and are more 'customer-centric' but that may not yet be delivering the most value.
- Never lose focus on the needs of customers – what will deliver the highest satisfaction, outcomes, and efficiency from their perspective.
- Continue to identify and address the operational and organizational barriers that stand in the way of more fully adapting to market shifts.

Methodology

The survey was primarily Web-based.

The survey was distributed to commercial contacts of Strategy& and PwC in management positions within the pharmaceutical and biotechnology industries.

A small number of in-person interviews were conducted with some survey respondents for additional insights.

Survey responses were compiled and analyzed to identify current and future commercial trends.

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