Transforming commercial models to address new health care realities
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Fundamental changes in the health care system are transforming how key stakeholders value, obtain, and process information. While biopharmaceutical companies are experimenting with different solutions, they are not going far enough and fast enough to address new realities. In this article, the authors outline how companies can achieve their desired outcomes by fundamentally rethinking their approaches to customers, offerings, and channels.

Traditional commercial models for biopharmaceutical companies drew clear lines. A company’s audience mainly consisted of physicians. Its offerings stressed the clinical efficacy and safety of its products. Its channel strategy comprised mostly in-person contacts and direct-to-consumer advertising. But a number of well-known trends have made these models outdated. Chief among them are changes in technology, costs, and channels.

Technology advances enable patients and physicians to share and analyze both qualitative and quantitative data online for even very rare diseases. They provide tools that can supplement, challenge, or even replace the data and communications provided by biopharma companies. For instance, over 9,000 health applications are currently available for consumers holding iPhones.1 The market for mobile health care apps that link to enterprise information systems is predicted to reach $1.7 billion by 2014, a 17-fold increase from today.2 Half of the physicians in the United States are using full or partial electronic medical records systems in their offices, up from 29 percent in 2006.3 These technologies create new opportunities for biopharma companies.

The rising cost of health care changes treatment dynamics and shifts the relative influence of stakeholders. Physicians now have less decision-making power, while payers play a larger role. Products are increasingly assessed based on their economic impact and effectiveness compared to alternative treatments. As an example, cost pressures have driven up the use of generic drugs to virtually unprecedented levels: In 2010, 78 percent of prescriptions written in the United States were for generic drugs.4

Traditional go-to-market channels are decreasing in productivity. One example of this is the declining impact of sales-force detailing. The rising availability of alternative data, increasingly time-strapped physicians, and growing regulations have reduced the interaction time and influence sales representatives have with doctors. Telling evidence of this can be seen in IMS's Launch Excellence III study in the United Kingdom, which showed there is no longer a measurable relationship between launch success and either the delivery of medical product samples (a strong proxy for detailing volumes) or share of voice in the market.5 The same research study found that only 27 percent of medical doctors consider leading biopharmaceutical companies to be a reliable source of information.6

Playing catch-up

Yet despite these very real challenges, few biopharma companies have truly adapted their commercial models to address new realities. For example, for many companies, the majority of brand marketing spending (as high as 70 percent) remains focused on health care professionals (HCPs).

Companies have primarily responded by experimenting with point solutions such as piloting online patient programs, implementing new account management approaches, employing new methods of customer targeting, and restructuring their commercial organizations to move decision making closer to the customer. Each of these strategies can produce benefits, but they do not go far enough in addressing the changes that are transforming how key stakeholders access and use information.

To confront these challenges, companies should fundamentally rethink three simple but critical important commercial model questions:
THE ELEMENTS OF A COMMERCIAL MODEL

A commercial model is the way a company engages and interacts with its customers. It is defined by an integrated set of choices along three dimensions: audience, offering, and channel. Transitioning to new commercial models means making different choices to create a model that responds to market shifts and the interactions occurring in a patient’s overall system of care.

<table>
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<tr>
<th>Commercial model elements</th>
<th>Focus of traditional commercial models</th>
<th>Focus of new commercial models</th>
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<tr>
<td><strong>AUDIENCE</strong></td>
<td>• Individual stakeholders, especially health care professionals and patients</td>
<td>• Broader system of care with emphasis on interconnections and networks taking place around a patient</td>
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<tr>
<td>Whom you choose to engage</td>
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| **OFFERING**              | • Product value | • Product and non-product value, including: |
| What value you provide to your defined audience | • Clinical value | • Value-added tools and services that drive better medical outcomes |
|                                            | • Health economic value | • Superior customer experiences |
|                                            |                                        | • New forms of partnerships |

| **CHANNEL** | Primarily push channels, such as sales representative detailing and direct-to-consumer advertising | Integrated mix of push and pull channels, such as social media, online support communities, gaming, public education campaigns, and alliances with advocacy groups |
| How the value you provide reaches your audience | |

1. **Audience**: Which customers will you engage?

2. **Offering**: What value will you provide to them?

3. **Channel**: What channels will you use to create seamless, compelling experiences?

**Audience: Focus on interactions in the system of care**

In traditional biopharma models, physicians and, to a lesser extent, patients were the primary customers. Over time, companies expanded their scope to include payers, but the theme of their focus was the same: to influence the decisions of important individuals—the physician, the patient, the payer.

Today, companies should work to engage the network of stakeholders who make up the “system of care” for an individual patient. This requires a much deeper understanding of the range of HCPs, caregivers, and other influencers who interact with patients throughout their journey to care. Yet, while the need to engage this broader set of stakeholders is well understood, companies do not systematically address the system of care or the interactions among stakeholders.

Addressing the system of care begins with investigating the interactions among these stakeholders. As an illustration, the authors recently conducted ethnographic research...
with diabetes patients to better understand the system of care from their perspective. Researchers observe that, for diabetes patients, there is a family member, friend, or social institution (such as a church) that becomes the patient’s key source of information and motivation (or lack of motivation) for treatment. In many instances, this key source of information is even more important than the physician in helping the patient manage the disease.

As a result, these traditional techniques should be supplemented by observational methods, such as ethnographic research, where the research focuses on observing and analyzing the dynamics of the health care practice and how a patient manages his or her disease outside the practice. These methods require that executives spend time in customers’ environments rather than studying them from behind a screen in a research facility.

**Key takeaways:**
1. Use new techniques to help identify the critical systems of care and the interactions among system members.
2. Focus not only on individual customers, but also on the connections among customers.
3. Help medical, marketing, and market access to have a deep understanding of the critical dynamics within the system of care.

**Offering: Create new value through innovation**

Traditionally, biopharma companies have focused their offerings on clinical value—providing physicians with new products and indications accompanied by data on the product’s safety, efficacy, and convenience. Today, companies should consider differentiating themselves by stretching “beyond the pill” to embrace a broader definition of delivering value to customers.

The authors’ analysis of publicly announced innovations in the pharmaceutical industry from 1998 to 2010 provides insight into the efforts of companies to create new offerings, and reveals both trends in investment and opportunities to differentiate. Categorizing these announcements according to the types of innovation they represent shows that, from 1998 to 2002, companies focused intensely on product performance. Since then, many companies have shifted their activities and focused on investments in core processes—notably

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Engaging the “system of care” requires a much deeper understanding of the interactions taking place among health care professionals, caregivers, and others who interact with patients.

What does this mean for biopharma companies? It means expanding beyond traditional direct-to-physician and direct-to-patient channels and offerings, and engaging and influencing the broader network. This could include implementing programs to include friends and family members in the management of a patient’s care. It could also include working in conjunction with local social institutions (such as churches, clubs, and workplaces) to create community support networks.

Understanding interactions within the system of care requires deep insight into your customers. Traditional market research (including focus groups, interviews, and surveys) is an effective way to interpret individual customer behavior, but it often falls short of identifying the critical interactions among stakeholders.
molecule discovery. An analysis of innovation announcements in 2010, categorized according to the Ten Types of Innovation®, shows how these investments compare. Core processes received the highest level of investment, followed by networking and channel innovations. (See sidebar, “Expanding the definition of innovation for new commercial models.”)

The shift in the innovation landscape over time coincides with industry trends. After a heavy emphasis on clinical efficacy, it became harder to identify new product successes, and companies focused on core processes and efforts to make their traditional channels more efficient and effective. To transform existing commercial models and create new models, companies can benefit by taking an expanded view of what innovation can mean—including new services, experiences, and business models. Greater value can come from innovations that differentiate a company’s relationship with customers and other stakeholders by, for example, building a commercial model that gives physicians information when, where, and how they want it delivered. Other innovations could emphasize new services, such as simplifying patients’ access to products or improving patients’ adherence to treatments.

The collaboration between Pfizer and Keas, an interactive online service that helps patients follow a set of health care goals, shows this expanded view of innovation in action. These companies are collaborating to provide customized online health care plans that guide patients to adopt healthier lifestyles. The service acts as a useful communication tool between physicians and patients, and the online medium provides a method for capturing detailed data that may likely otherwise be lost to health care providers. Online games and social network supports are incorporated into the service to create a sense of community among participants, which can encourage healthful choices.

Pfizer’s efforts in this regard represent several types of innovation that reach beyond new products and improved business processes. The company is creating a new customer experience and a new service, and it is networking with a business partner outside its industry. The project even has the potential to create a new business model, as Pfizer is working with Keas to provide this service to consumers, health care providers, and employers.7

Another recent example demonstrates how biopharma companies can find interesting innovation ideas outside of the drug industry. Welldoc, a technology company that makes health management tools, and Ford Motor Company are partnering to prototype an in-car system that enables adults with type 2 diabetes to enter data about medications, exercise, and diet, through Ford’s voice-activated Sync connectivity system. This enables consumers to monitor their condition while driving by using Welldoc’s Diabetes Manager application.8 The offering combines innovations that span the customer experience, delivery channel, product systems, and business model.

Key takeaways:
1. Use multiple types of innovation to enhance the value provided by your products and services, looking beyond product performance and core processes for new ways to create offerings.

2. Develop new offerings through nontraditional means, including the customer experience, new services, and creative business models.

3. Leverage ideas, technologies, and partnerships with companies outside of the biopharma industry to create value.
EXPANDING THE DEFINITION OF INNOVATION FOR NEW COMMERCIAL MODELS

Pharmaceutical companies’ innovation efforts have traditionally been narrowly focused on product performance and core processes. Driving value through innovation means expanding that focus to customer experiences, new services, and new business models.

The Ten Types of Innovation® framework classifies 10 innovation types across four categories. Effective innovations integrate multiple types of innovation to create more compelling customer experiences, open up new business models, or reinvent a channel—in addition to developing a new product or service offering.

Below is an analysis of more than 1,500 publicly announced innovations in the pharmaceutical industry in 2010. The graphic represents the relative distribution of these announcements across innovation types. There is a clear focus in the industry on core processes (for example, new methods for discovering molecules), product performance (such as the launch of new products and new indications), networking (such as co-marketing or co-development collaborations), and channel (for example, the use of e-sampling). While these are important forms of innovation, the industry has not capitalized on the opportunity to create new customer experiences, offer value-added services, or define truly new business models. Expanding into these dimensions can improve both customer relationships and financial returns.
Channel: Move from recency to relevancy

In traditional models, companies rely on physician detailing and broad-based direct-to-consumer advertising to communicate core messages about the benefits of a particular treatment and, in the case of sales representatives, deliver samples. While historically effective, these expensive channels are rapidly declining in effectiveness in many settings. This does not mean that biopharma companies should abandon these channels; rather, they should experiment with new channels while moving to a relevancy-based model.

Exploring new channels often means moving from a recency model, where outreach is based on a company’s structured call plan, to one focused on relevancy, where interactions are based on when information is useful to the customer.

Experiment with the new. The use of new channels such as social media, online, and on-demand platforms is becoming more common across the industry. (See sidebar, “New commercial model pilots.”) The challenge now is to better integrate them into a truly seamless experience for the customer. This requires that the channels be effectively optimized for customers’ needs and operated in ways that create a conversation (as opposed to a broadcast) among different stakeholders, each of whom has something valuable to contribute. New models should be more interactive and co-creative, as well as integrated across customers, influencers, and information sources, so every participant has a voice. Because companies cannot control the discussion about any product or service in the Internet age, they should focus on understanding what is being said and, in turn, help shape and guide the conversation.

Furthermore, new channels such as online communities, direct-to-customer e-mail, and Web-based and mobile communications should be integrated with in-person sales, medical, and payer representatives (the traditional channels) so that customers have an integrated experience. This level of integration requires collaboration across silos; representatives from marketing, medical affairs, and market access should speak the same language and have insight into the activities of their colleagues in other groups.

Move to a relevancy-based model. In many companies, channels are used in traditional ways—namely, focusing on message reach and frequency. These methods have clearly declined in value in recent years. This does not mean that they should be abandoned, but that they should be adapted to new realities. This is expected to require a few changes to industry orthodoxies.

Instead of thinking about the channel first, companies should apply a customer lens: What would our customers value from a biopharma company, and what channels should we use to deliver that? For example, at launch, biopharma companies are the best source of information for a product’s attributes as well as when and how to use it. Most customers value receiving this information in person, where they can get their questions answered. But once the drug has been on the market and the customer has seen the data, in-person interaction does not add significant value, as there is no “new news.” In these instances, companies should explore new channels for delivering value.
NEW COMMERCIAL MODEL PILOTS

A number of companies have already begun to experiment with broadening the definitions of audience, offering, and channel. These programs use new resources to engage in a broader dialogue about products and diseases rather than simply broadcast messages.

**Multifaceted patient-support programs.** In the Netherlands, Amgen has partnered with Medizorg Services to offer a care service. This is a support program for patients taking medications such as Aranesp for anemia caused by kidney disease or chemotherapy, Neulasta to boost white blood cells during chemotherapy, and Nplate to boost platelets. Services include health insurance authorization and reimbursement support, home delivery of products, and in-home injection or injection training by a nurse. And Abbott Laboratories has developed a program called myHUMIRA to support patients who have been prescribed the company’s rheumatoid arthritis medication. Program offerings include nurse support, medication reminders, and free disposal of used HUMIRA syringes.

**New partnerships and collaborations.** Boehringer Ingelheim GmbH and Pfizer created COPD Matters, a YouTube channel with videos for information on chronic obstructive pulmonary disease. Similarly, Bayer AG unveiled Didget World, a password-protected Web community for children who use the company’s glucose meter, allowing them to play games and earn points for meeting blood glucose test targets.

**Disease education and patient screening.** Eli Lilly and Company has partnered with Polymer Technology Systems, The Kroger Co., and Vision Racing LLC to offer free diabetes and cholesterol screenings at the Indianapolis Motor Speedway.

**Online communities to support peer-to-peer education and information exchange.** Bayer’s MS-Gateway is a global multiple sclerosis portal for patients. It offers users general disease education resources, branded product information, and an online community for discussing symptoms, treatment, nutrition, and other topics in public spaces and through private messages. Registered users can receive a personal consultation from a neurologist.

**Programs to diversify the sales toolkit.** Companies such as Merck & Co. and Pfizer continue to invest heavily in new technologies that enable their sales forces to engage physicians in more efficient and effective ways, through live online e-detailing and other online events. Eliminating sales representatives may also be an option, especially for maturing products. In 2010, AstraZeneca replaced its sales representatives for its acid reflux drug, Nexium, with a call center and a website where physicians can order samples, download patient savings cards, and find other disease resources and product information.
Often, this means moving from a recency model, where outreach is based on a structured call plan developed by the biopharma company, to one focused on relevancy, where interactions are based on when information is likely to be useful to the customer. In relevancy-based approaches, companies often:

- Engage with HCPs only when there are new data or indications for a product, or when the competitive environment has changed.
- Create “trigger” programs whereby outreach is triggered by an event, such as the order of a diagnostic.
- Migrate to an appointment-based model: Sales representatives see a physician only by appointment. This model has been effectively used in countries like Sweden, where access to physicians is particularly limited.
- Complement traditional push approaches with pull channels, enabling HCPs to ask for support either through a call center or website.
- Integrate product information into HCP systems, such as electronic medical records or digital workflow.

These approaches leverage traditional channels but focus on utilizing these channels when they are relevant to the customer. This can lead to higher satisfaction and lower overall costs.

The Bristol-Myers Squibb (BMS) launch model for the melanoma drug Yervoy is an example of both integrating new channels and adapting old channels. Based on the insights BMS gathered about the system of care, it was able to develop an integrated model that addresses the needs and roles played by everyone in the system. The company created a team comprising a melanoma sales specialist, a reimbursement specialist, and a medical science liaison, with assistance from a 24-hour medical support center. The BMS team acts only when an order is received for Yervoy and when the team members know that a health care professional will be seeing a patient. Triggered by this event, the medical science liaison communicates with the oncologist to provide basic information about the product’s profile, as well as webinar information and contact details for the support team. A medical science liaison also follows up with a visit to the doctor’s practice. The rest of the team works to help patients and providers understand dosing, side effects, and reimbursement. Compared to traditional approaches, this is a fundamentally different way of thinking about customers.

Models should be a mix of traditional channels and new channels. But the channels should be tailored to customers’ needs and integrated to create conversations among stakeholders.

**Key takeaways:**

1. Shift focus from driving recency to relevancy.
2. Experiment with new channels; companies should run at least two to three experiments and monitor effectiveness.
Where to begin

In many ways, new commercial models represent the biggest change in the way biopharmaceutical companies have been engaging with stakeholders since the rapid expansion of the direct-to-consumer marketing channel in the late 1990s. Companies that mastered the complexities of direct-to-consumer marketing programs reaped significant financial benefits. So too do new commercial models that hold great potential for those willing to experiment with three new approaches to engaging their customers:

- Focus on the system of care and the interactions within that system.

- Build offerings that create new value through multiple types of innovation.

- Use channels that are co-creative and integrated, including adapting old channels and experimenting with new ones.

Companies with the imagination and courage to seize this opportunity can build trusted relationships with stakeholders. This trust can serve as the foundation to help improve patient outcomes and lead to top-line growth and greater commercial ROI.
Endnotes


5. IMS Launch Excellence III study, IMS Health Inc.

6. Ibid.


9. Doblin Inc.


18. Ibid.