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OPTIMIZE YOUR COMMERCIAL MODEL

The pharmaceutical industry is in a state of flux with the increasing influence of payers, restricted healthcare budgets, and the rise of multi-channel marketing. The shift from volume to value has truly transformed the selling dynamic in the Pharma industry. This new market environment calls for new insights, new approaches and new ways of thinking.

The traditional physician-dominant marketplace has evolved considerably since the beginning of the century. The access to physicians is decreasing, prescriber autonomy is decreasing and purchasing decisions are being heavily influenced by a new range of stakeholders. Of physicians who changed employment in the past 5 years 72% now work in large management-led organizations. The share of voice model is no longer effective across the market, forcing Pharma to look at alternative ways to maximize performance.

At the top level, healthcare providers are consolidating with hospitals and medical groups merging into networks and large health systems.

Advances in technology, driven in large part by the successful implementation of electronic medical records, have allowed these systems to become truly integrated and more powerful. As these systems expand and continue to acquire group practices, they are able to exert more control through guidelines, protocols, and incentives.

Regulatory changes are also contributing to the evolving marketplace. Government policies and Pharma's own guidelines have severely impacted how a sales representative calls on a physician. Pharma has reacted aggressively to both public opinion and the number of stringent fines imposed for non-compliance. Internal controls are tighter than ever, with impacts permeating from the manufacturer to the payers and even to prescribers not wanting to see their names prominently displayed in Pharma's aggregate-spend reports now available in the public domain.

As a result, pharma organizations across the world are investing in new commercial models in an attempt to better engage the new customer.



“ We have had to fundamentally rethink our approach to stay competitive and future-proof how we go to market.

Commercial Ops VP, Global Top 10 Pharma ”

Despite significant investment, many organizations are still struggling to find the optimal mix. In a recently conducted study of more than 150 senior sales, marketing and strategy pharma executives across the US and Europe, Strategy& concluded that no one has yet cracked the code!¹



While the traditional physician-focused sales force will continue to be a critical piece of the puzzle, transformation cannot be achieved by simply repurposing what is already in place. It requires hands-on experience, deep expertise and new ways of thinking.

Over the past decade we have worked with over 100 companies in the life sciences commercial operations and insights space with the majority of interactions at the VP and director level. We have learnt several important lessons. In this 5 step guide we draw on our experiences and share key recommendations for designing a successful commercial model.

Step 1: Rapidly onboard new data sources

Step 2: Encourage continuous experimentation

Step 3: Deploy a flexible and scalable operating model

Step 4: Foster a culture of healthy competition

Step 5: Integrate next generation platforms

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One size does not fit all. Future-proofing your commercial model calls for extensive experience in therapeutic areas, emerging data sources and new selling models.

Purchasing decisions are becoming increasingly complex. The number of touchpoints, influencers and decision drivers are now higher than ever. It is critical to evolve the physician focused approach to one that is more suited to a complex multi-stakeholder landscape. Before any commercial model is considered, it is important to identify all influencers, uncover their needs, and quantify the impact of any proposed action.

In meeting the needs of today's influencers, the sales representative role itself has had to evolve.

The modern commercial team must now include service representatives, product specialists, account managers, institutional directors, medical science liaisons and field reimbursement managers. It is critical that the commercial model design incorporates all of these key players and considers their contribution to the strategy.

Pharmaceutical companies must also evolve from brand focused marketing to more customer centric approaches by deploying tightly integrated engagement models across personal and non-personal promotional channels. The traditional push strategy, where communications are sent regardless of the physician desire for that information, must now be balanced with a pull approach, where the stakeholder requests the information at their convenience.

To cater to this shift, pharmaceutical companies must adopt a highly connected customer centric strategy that spans across all channels.

Instead of treating non-personal channels as an add on to the sale force detailing efforts, these channels must become an integral part of the engagement model. They provide the surround sound that supports the sales representative's performance. This integrated engagement approach enables pharmaceutical companies to achieve the highest levels of customer experience through a coordinated and well planned delivery of personal and non-personal communications. The core of this selling approach

STEP 1: UNDERSTAND THE MARKET AND INDUSTRY DYNAMICS

focuses on delivering the right message at the right time through the right channel to the right customer. It's all about addressing the unique needs of these new stakeholders.

Getting this mix right requires the ability to gain insight from a variety of data sources.

Access to the data is not the issue. There is now a wealth of sources available across digital and social media data, EMRs / EHRs, patient level datasets, geomedical data, specialty pharmacy data, managed care data and affiliation data. The challenge is in the ability to ingest, integrate, analyze and ultimately understand. This is where experienced minds and powerful tools are needed to turn the insight into commercial action.



Each therapeutic area brings its own unique nuances that call for creative solutions. Many therapeutic areas are marked by lack of physician specific data and payer influence can vary considerably. Oncology, for example, is a highly competitive therapeutic area with fairly complex physician to group practice to infusion site / clinic relationships. Rare diseases, on the other hand are characterized by limited disease understanding, dearth of standard treatment and diagnosis guidelines and lack of data. All of this has very significant implications on modelling approaches and consequent selling models.

Commercial model design requires a significant depth of selling model experience and knowledge.

It requires the ability to build a business case from data that challenges current thinking. Whether it is leveraging new datasets or incorporating multiple rule complexities, it is only through creativity and innovation that you will drive competitive advantage.

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Organizational buy-in and change management are critical to the success of sales force strategy engagements.

While contemplating sales force strategy it is important to consider the opportunity for both evolutionary and revolutionary changes. An evolutionary change might be as simple as taking the existing 1,800 person sales force and evaluating upsizing or downsizing in increments of 50 people from 1,500 to 2,500 total representatives. A revolutionary change might involve multiple changes within the same scenario, such as:

- De-coupling sampling from the promotion into a new 'type' of 'sample/service' representative.
- Carving out geographies with deeply entrenched and advanced Integrated Delivery Networks/Health Systems and targeting them with a separate sales force structure.
- Covering the remainder of the high-value physician targets with 'traditional' representatives whose primary focus migrates towards deeper product discussions.
- Using a targeted team of tele-sales/outbound representatives to service lower-value targets and/or hard-to-reach physicians.

Often, such revolutionary changes call for an entirely new way of thinking that must be worked through the organization.

It is extremely important to gain organizational buy-in. This need is even more pronounced in situations of merger and acquisition, joint ventures or co-promotion which invariably involves multiple stakeholders with varying priorities. Success is not just about the silicon, but the carbon. It goes beyond the data, the analytics and the integration. It's about the people.

Right from the start it is important to map out the key stakeholders and actively solicit their inputs into project work streams. As different phases of the project near completion, involve the appropriate stakeholders in project readouts and review meetings. The overall project plan should include review meetings and check points with key stakeholders.

STEP 2: ENSURE BUY-IN AT ALL STAGES



Ensuring all key stakeholders are bought into the commercial strategy is as important to success as the strategy itself.

Commercial Ops VP, Global Top 10 Pharma



Socializing new concepts and managing associated change is often as important, if not more important, than delivering the change itself.

Some of the best practices that we have picked up through our engagements include:

- Regular meetings with key stakeholders.
- Clearly communicate the new vision and its impact.
- Identify needs, objectives and uncover hidden objections.
- Gain buy-in through incorporation of modifications where the stakeholders are most passionate.
- Frequently communicate with stakeholders at all stages, capture objections and issues, continually improve the paradigm based on feedback and encourage adoption.

A strong Program Management Office (PMO) goes a long way in establishing effective change management processes and achieving the above stated best practices.

In order to facilitate well informed decision making we recommend to plan, create and optimize several scenarios and report out the resulting impact on multiple dimensions:

1. **Financial:** Top line and bottom line impact.
2. **Strategic:** Matching competitive share of voice, launch focus, reach & product uptake.
3. **Operational:** Geographic territory span, likely disruption of field relationships, ability to coordinate across roles.

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STEP 3: DEPLOY RESPONSIVE MODELS

It is not possible to keep retro-fitting existing models to solve increasingly complex challenges.

A key reason for limited success with new selling models is that organizations do not have the ability to model real world complexities. As a result, they force-fit data into pre-existing functional forms. This results in sub-optimal performance.



To understand this better, let's consider the promotion response curve, which feeds into every sales force design exercise.

A promotion response curve is the relationship between promotion and resulting prescription. With promotion or sales representative details on the X axis and resulting new prescriptions on the Y axis, this curve usually takes the negative exponential functional form. In other words, it increases at a decreasing rate. While this is true in many cases, this may not be so in every situation.

For example, in the Diabetes franchise, a variety of therapy options exist for treating patients and some therapies are interchangeable. In this case, some significant upfront promotional effort would be required to 'convince' the physician before he or she is 'convinced' and starts to prescribe the product. This is known as the threshold effect which results in an S-shaped response curve. Since most companies do not have the ability to solve for an S-shaped

curve, they never consider the possibility and try to force fit the data into a standardized structure, resulting in sub-optimal results.

Likewise, for brands sold in institutional settings, a response curve when you have a contract is quite different from a response curve when you don't have a contract. The same amount of promotional effort will be more impactful in accounts where one already has a contract. This calls for "two part" modelling as opposed to traditional response models. It is not recommended to force fit historical data into pre-existing models but instead allow the data to determine the model.

In a multi-channel and multi-stakeholder environment, purchasing decisions are no longer determined by a single channel or campaign.

They are often the result of continual nurturing. The key is to move from one moment to the next, building a coherent brand story and ensuring each interaction is an extension of the one before. It is critical to develop models that can incorporate and isolate the influence of other promotional channels on sales representative activity. It is also important to account for multi-stakeholder effects. The response curve of promotion from pharma to physician can itself shift owing promotion to a different stakeholder such as a patient or payer.

There are brands that have significant retail and non-retail focus. In order to determine resource allocation for such brands, analytical approaches need to account for spillover between the two settings and jointly optimize the effort in two settings while factoring in all interactions.

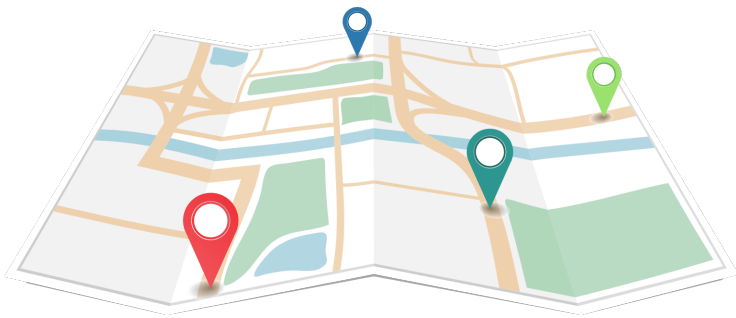
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Traditional sales force rhythm must give way to more localized and dynamic changes to help make the first move and capitalize on market opportunities.

The industry today calls for nimble and agile organizations that can quickly adapt their commercial model faster than the competition. There are tremendous advantages for companies that can recognize and react to the possibilities and uncertainties that unfold as the market shifts. The first movers are those that innovate, put customers first and lead the industry.



Commercial model design exercises often cut across multiple business units, geographies and markets. They inherently involve huge variation in data availability, language and business processes.

Further, as the characteristic of the customer is changing, the pace of evolution is different in different parts of the country. Also, the nature of the entities formed, and the rules and regulations regarding their operations, can be very geographic-focused.

STEP 4: DRIVE CONSISTENCY & ALLOW FOR REGIONAL FLEXIBILITY



Ignoring regional feedback and local sales knowledge is like going into a maze with a blindfold. You are going to hit a wall pretty quick!

Commercial Ops VP, Global Top 10 Pharma



Physician affiliations or associations with such geography-specific entities often makes the physicians conform to the rules and regulations of these entities and restricts their ability to prescribe one product over another. It is therefore, critical to account for these sub-national variations in the planning process. Create hot spots that leverage geography as a key segmentation variable grouped together based on IDN control, managed care status or physician access. Resources should be optimized at the level of these geographic hot spots.

Further, we recommend leveraging a modern cloud platform to drive common process, measures and outcomes across geographies, while also allowing for localizations to be factored in.

The integrated platform should cover all aspects of commercial planning and operations including territory alignment, call planning, incentive compensation and call reporting. It should be industry specific with embedded commercial analytics to deliver insight at the point of decision. Having such an integrated platform will enable rapid response to local market scenarios.

In view of the dynamic market place and need for speed and customization, organizations require a planning process that supports regional flexibility and asynchronous processes.

This needs to be balanced with the annual national cycle that cannot be done away with completely. We recommend an approach where the national process co-exists with smaller processes, incorporating local intelligence and sub national dynamics.

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OPTIMIZE YOUR COMMERCIAL MODEL

STEP 5: UNDERSTAND THE MARKET AND INDUSTRY DYNAMICS

Commercial model design projects require a unique blend of industry experience, process and analytical skill.

It is no secret that commercial model design projects are typically high end consulting engagements that call for great analytical depth and extensive experience with various therapy areas, selling models and datasets. An ideal engagement team would comprise:

- Experienced industry veterans with a good understanding of therapy area complexities.
- Strong business analysts with the ability to tease out nuances in very different geographic setting and payer environments.
- Proven data scientists equipped with tools and techniques to mine a variety of traditional and newly emerging datasets.
- Domain savvy technical analysts with the ability to deploy next generation cutting edge technology for solving complex problems.



During the course of the project, the team needs the ability to design, optimize and analyze hundreds of scenarios, factoring in various real life possibilities.

Needless to say, the required experience and knowledge is not readily available in the market. Even some of the most experienced organizations will have only so many thought leaders to call on. It is therefore important to invest in an effective ecosystem for talent development and knowledge transfer.

This calls for a focus on talent, tools and technologies that drive documentation, effective training, mentoring and cross pollination of best practices.

A recommended first step is to create foundational content allowing individuals to be trained on the baseline processes.

This is of course, assuming that these individuals have already gone through the basics of industry context, traditional datasets, data processing software and statistics.

The next step is to add to this base understanding and capture the different variations across multiple selling models, which the organization has been exposed to. This is not trivial as it involves training around multiple dimensions, analytical models, therapy area nuances, newly emerging data sets, techniques for data mining and selling model types. Finally, it is important to continually share best practices and learnings from ongoing projects. There is nothing like real experience.

The only way to truly scale up your commercial model design capabilities is to invest in such an ecosystem that continues to share experience and cultivate talent.

The industry is on the verge of an inflection. The shift from the era of blockbusters to a period where outcomes are crucial, offers a great opportunity to explore new commercial models.

There are tremendous advantages for companies that can recognize and react to the plethora of possibilities and uncertainties that unfold as the market shifts. The key is to navigate this environment with new thinking, unbounded by existing ideas and engage in innovative solution design. In other words – do more with less – effectively, while delivering true patient value



This 5 Step Guide is a part of AIM (Axtria Intel Monitor), which is an engaging series of thought leadership that showcases Axtria’s intelligence on therapy areas, industries and topics relevant to the life sciences.

Over the past decade, we have worked with over 100 clients in the life sciences industry and interacted with their analytics, commercial operations, and commercial IT leaders. Based on these engagements and our learnings, we have created a series of strategic 5 step guides on how to drive commercial excellence.

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Founded in 2010, Axtria is a global provider of cloud software and data analytics to the life sciences industry. We combine industry knowledge, business process, and technology to help our clients make better data-driven decisions.

Axtria’s cloud-based platforms, Axtria DataMAx™, Axtria InsightsMAx™, Axtria SalesIQ™, and Axtria CustomerIQ™ enable customers to efficiently manage data, leverage data science to deliver insights for sales and marketing planning, and manage end-to-end commercial operations. We help customers in the complete journey from Data to Insights to Operations.