

# NEW SHORES

The shift from just selling pills to developing value-added services has only just begun

## Executive Summary

- Biopharma companies are discovering that compelling and aligned services underpinned by a core strategy are providing them with distinctive competitive advantages
- **As a first step managers should undertake mapping related to the breadth of services offered and level of customisation, leading to a service model archetype**
- Establishing a cross-functional team with principal responsibility for owning and driving programmes is a key success factor, with marketing and medical represented and input from legal/compliance as well as external partners
- **A rigorous review across the (holistic) value chain is required to decide on what to build internally and where to involve the best external partners**
- Longer-term, we expect an evolution beyond the traditional revenue mechanisms and commercial models, which will be essential for companies to maximise value creation.

The case for 'beyond the pill' services is becoming well established. Most new drugs coming to market are perceived by some to have relatively limited value in their own right (eg incremental benefits over existing options). Some of the most urgent unmet needs in healthcare in the developed world (and therefore where the industry can add most value in these regions) are not just within the provision of medicines, but also within healthcare systems and services. Biopharmaceutical companies must therefore consider the whole package; they should offer compelling beyond the pill services related to their products that address stakeholder needs along the patient pathway, leading to better health outcomes, while at the same time providing a source of competitive advantage.

The strategic purpose and tactical mix of these services can vary significantly, so how do biopharma companies go about choosing the right services, for the right audience at the right time?

A beyond the pill approach should have a central strategy at its core which underpins all services offered. This strategy should include in-depth customer analysis as well as disease, brand and competition mapping, resulting in a detailed assessment of stakeholder needs throughout the patient pathway.

The completed mapping forms the basis from which the service model strategy can be developed, involving prioritisation of the service model components and development of the proposed solutions.

An example approach to this mapping process is the service model archetype (see below), which allocates certain service approaches based on the types of factors stated above. This can support decision-making in terms of the breadth and depth of your beyond the pill strategy.

Based on the mapping process, each brand will fit into one of the four quadrants in the image, based on two key factors - firstly the optimal breadth of the services offered and secondly the level of customisation.

## Choosing the right archetype for a more meaningful service

**Broad offering:** Broad offering strategies utilise services to maintain the high profile and strong relationships which are naturally developed through the quality of the (potentially blockbuster) product, throughout its lifecycle. The services will generally include standard 'must haves' for every stage of the patient pathway. It is likely that similar services will be available from competitors but they are often a minimum expectation for involvement in the therapy area. It is important that biopharma companies ensure such services provide meaningful benefit for their target audiences, whether that is patients (eg Pfizer's Lipitor for You programme to encourage continued use of branded Lipitor after patent loss), physicians (eg diagnostic support devices, such as Pfizer's PainDetect) or payers/providers (eg reimbursement/coding/co-pay support, which is very common in the US). Services are also often developed reactively when a problem arises (eg competitive entry, loss of patent etc).

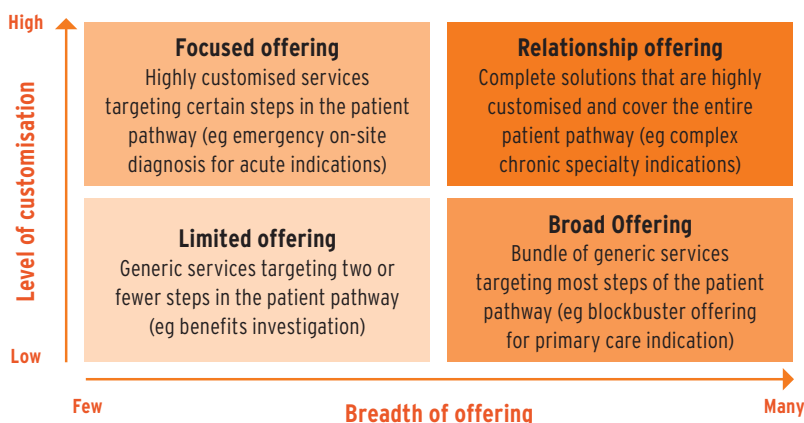
**Relationship offering:** Relationship offering strategies create compelling outcome advantages for specific audiences throughout the patient pathway. A good example is BioAdvance, which was developed by Janssen to provide a comprehensive, and very personalised, care approach for patients different inflammatory disorders. It includes online and live patient support programmes and networking, and patients are provided with a personal champion throughout the treatment process, coaching them on the benefits of the offerings. Patient progress is then relayed to their physician, who can make management decisions accordingly.

Leveraging its flagship product Lantus, Sanofi is pushing the integrated disease management concept to the next level, including oral anti-diabetic drugs, insulins, glucose monitoring devices plus further enhanced services to help patients achieve better outcomes. Interestingly, the vision is being pursued systematically in developed and emerging markets, such as China, where it might be even more compelling to a government that is rapidly expanding healthcare provision.

**Focused offering:** Focused offering strategies require services at certain points along the patient pathway, whether that is at the point of diagnosis, treatment or follow-up. Typical services can include companion diagnostics to identify the positive responders (for example biomarker tests) and novel standards for tests demonstrating treatment success in the long-term (eg complete and major molecular response based on BCR-ABL transcripts for chronic myeloid leukaemia patients).

**Limited offering:** Limited offering strategies involve relatively generic services on one or two essential points along the patient pathway.

## Service model archetypes



➔ For example, to support access to Nexium in the US, AstraZeneca provide a Prescription Savings programme for uninsured patients.

### Assigning internal responsibilities to fulfil the service strategy

One of the most common questions biopharma companies have around beyond the pill is where the planning and strategy - including the mapping and selection around service model archetypes - should originate from within the organisation. While it doesn't fit naturally into any one existing job categories, marketing may seem like the most natural fit as many of the types of services provided in beyond the pill have traditionally been considered marketing-type activities.

A poll on the Beyond the Pill LinkedIn group posed this question, with marketing receiving 30 per cent of the vote, compared to 54 per cent for the executive level, with the remainder shared between R&D, sales and other. From the poll it is clear that committed leadership is a prerequisite for success, however, the functional lead probably lies elsewhere within the organisation. Ultimately, who leads it is probably less important than establishing a cross-functional team that has the principal responsibility of owning and driving the beyond the pill programmes. Marketing and medical should certainly be represented within this team and legal/compliance input is essential.

### The role of external partners

Given the strict regulations the biopharma sector is governed by and given that knowledge gaps may exist in certain areas related to certain services, biopharma companies often consider external partners for implementing the decided services strategy. Since many required services are already available in today's healthcare systems, such as medical call centres, telemedicine solutions and home care, a rigorous review across the holistic value chain to decide on what to build internally and where to involve the best partners going forward is required.

The holistic value chain to deliver the services strategy encompasses all necessary steps including those not necessarily supplied by the biopharma company, as outlined below using the example of managing Alzheimer's patients:

- Customer advice and sale to (paying) customers, eg patients, nursing homes
- Patient-specific configuration and training of involved stakeholders, eg caregiver
- Permanent oversight of relevant patient data, such as patient location using GPS
- Initiation and implementation of key actions, such as emergency calls to caregivers
- Upgrading of overall system, such as oversight algorithms and action trigger criteria.

Before selecting potential partners, biopharma managers need to decide where they want to focus internal resources leveraging their core competencies best. The large number of different

partnership options for external services blocks, often different in each country, can be grouped into technology partners, such as mobile solutions providers (eg BT Health in the UK), healthcare partners, such as medical call centres and biopharmaceutical distributors, and commercial/marketing partners providing access to paying customers, eg medical assistance operators.

### Adapting commercial models to maximise beyond the pill benefits

Traditional commercial models, focused on pharmaceutical representatives targeting prescribing physicians, can limit the available funds for services strategies. Up to now, services have generally been provided free. This has created an expectation that this will always be the case, but it is not a sustainable model for delivery of meaningful, comprehensive services. However, despite the fact that the biopharmaceutical industry is well-placed to be the core provider of beyond the pill services, companies are currently not setup to generate revenue in this way. It is only a matter of time before the design and delivery of such services is owned by other stakeholders who will be more than happy to charge for their services.

To date, most companies have decided not to change the revenue mechanism for their products, still charging for the pill/vial being distributed to their customers. Pay-for-performance and risk-sharing schemes have been typically pursued after facing significant market access challenges. Fresenius Medical Care, the global market leader for renal care, has successfully implemented a variety of revenue mechanisms across countries, such as razor-and-blade pricing for (haemo) dialysis equipment/consumables charged to centres, fee-for-service pricing per dialysis with payers and long-term government contracts with negotiated quality/service levels and prices. Such business models may become the template for biopharma in the future.

The shift from just selling pills to providing services strategically to various different customers/stakeholders has begun. Over time, the biopharmaceutical sector will uncover increasingly attractive business models, as did insightful medical devices companies, such as Fresenius Medical Care who embarked on a similar journey decades ago. Longer-term, we expect an evolution beyond the traditional revenue mechanisms and commercial models, which will be essential for biopharma companies to maximise their value creation within the healthcare sector at large.

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