

How to optimize Mature Brand Performance?



Smart Pharma
Consulting

A Rigorous Methodology based on
Smart Pharma Consulting Experience

Position Paper

May 2016

1, rue Houdart de Lamotte – 75015 Paris – France
Tel.: +33 6 11 96 33 78 – Fax: +33 1 45 57 46 59
E-mail: jmpeny@smart-pharma.com – Website: www.smart-pharma.com

Table of contents

1. Introduction	p. 3
2. Portfolio segmentation and screening	p. 4
3. Portfolio strategy	p. 9
4. Product leveragability evaluation	p. 16
5. Performance monitoring	p. 21
6. Conclusions	p. 22

1. Introduction

Smart Pharma Consulting has developed methodology based on desk research, benchmarking studies and own experience to optimize mature brands management

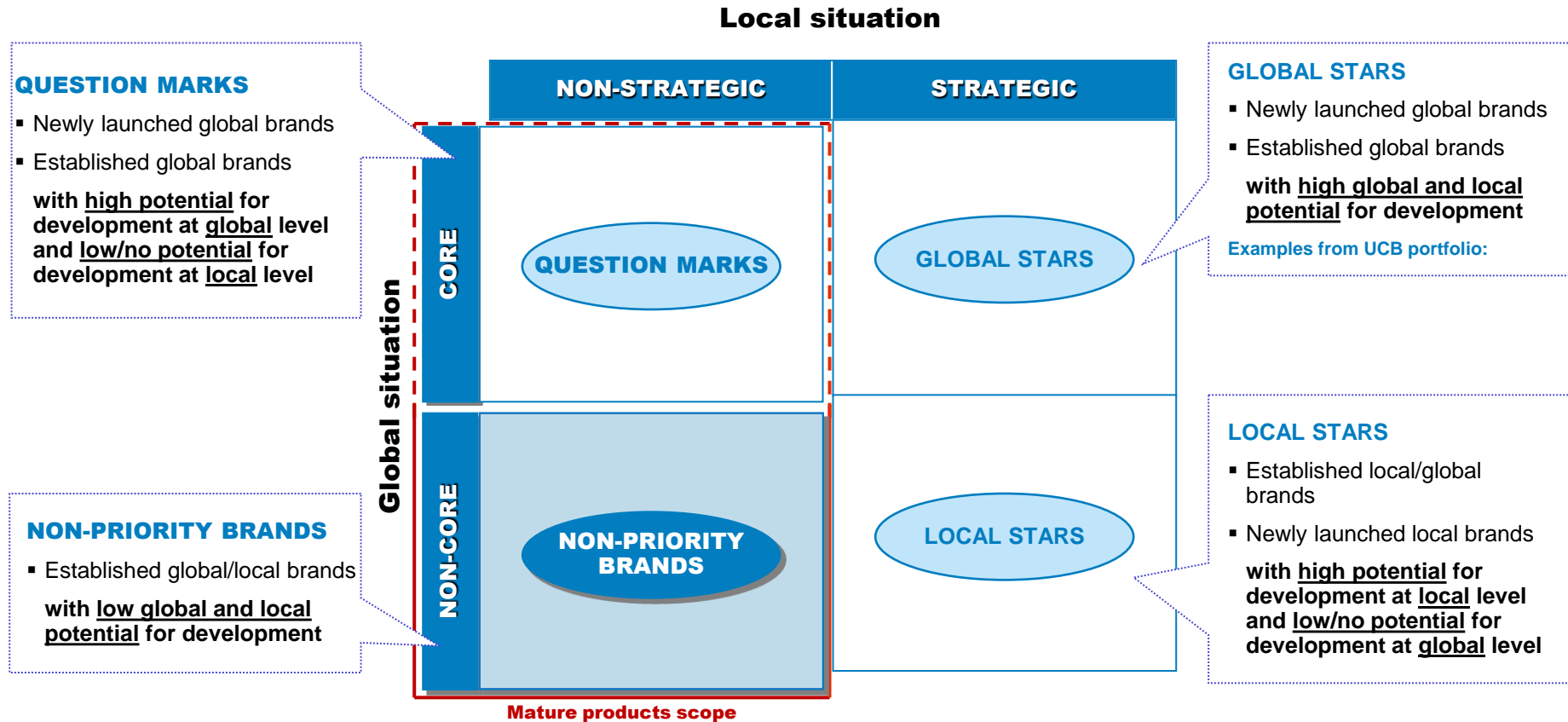
Objective & Approach

- **Mature brands** play an ambiguous role within the portfolio of pharma companies:
 - They show in general **low or negative growths** while...
 - ... providing **high profit contribution**
- **Performance optimization** of mature brands requires to answer the two following questions:
 - What is the **sensitivity** of the brands **to promotional investments**?
 - If sensitive, what are the **optimal investment level** and **mix**?
- **To help pharma companies, optimize the performance of their mature brands, Smart Pharma Consulting has formalized a methodology based on:**
 1. Review of **expert reports, articles, position papers** on mature brands management
 2. **Benchmarking** studies
 3. Its own consulting **expertise** and **experience**

2. Portfolio segmentation and screening

Most companies currently limit strategic thinking on mature products to brands with limited local potential, with a special focus on corporate non-core brands

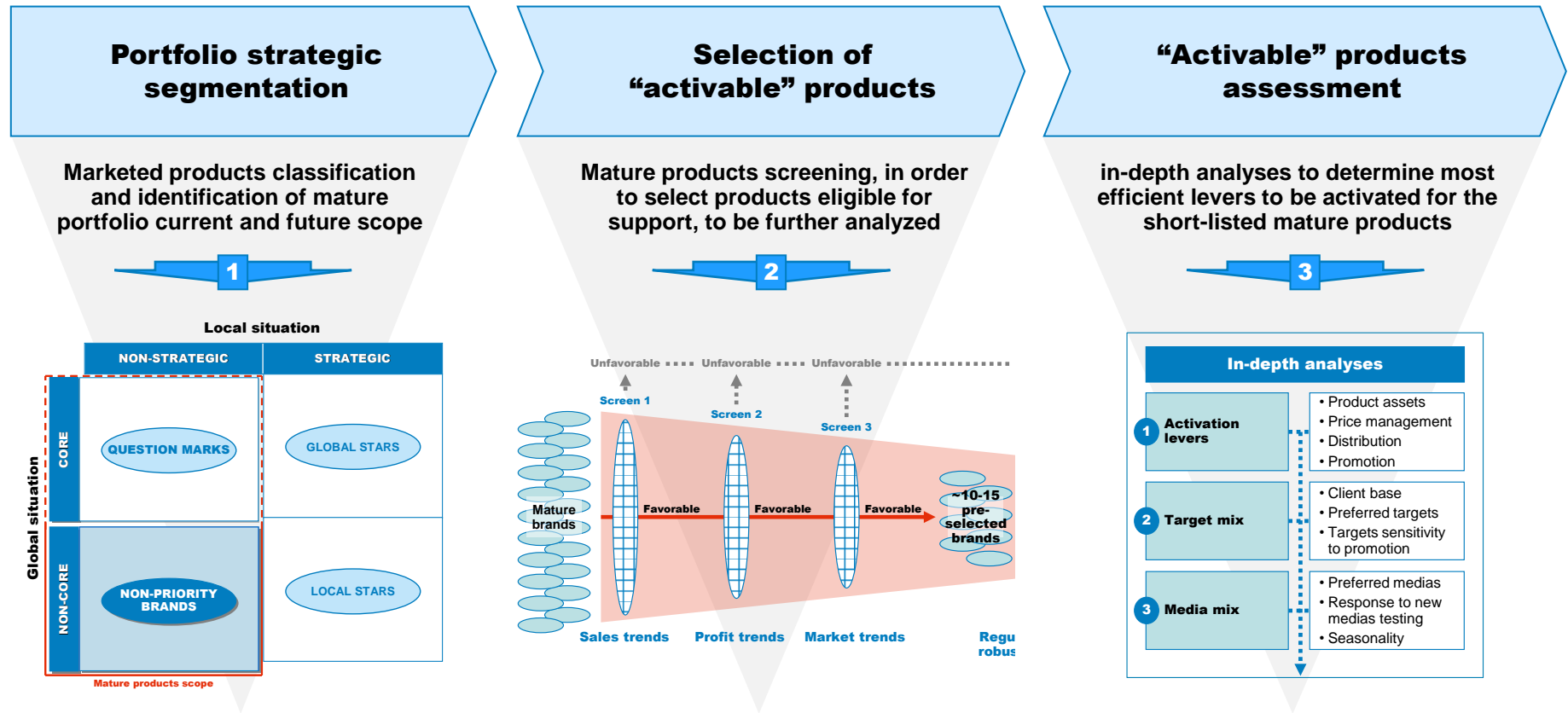
Portfolio strategic matrix



2. Portfolio segmentation and screening

Before selecting “activable” products within mature products portfolio, the screening scope needs to be clearly defined through portfolio segmentation

Portfolio analysis & mature brands optimization process

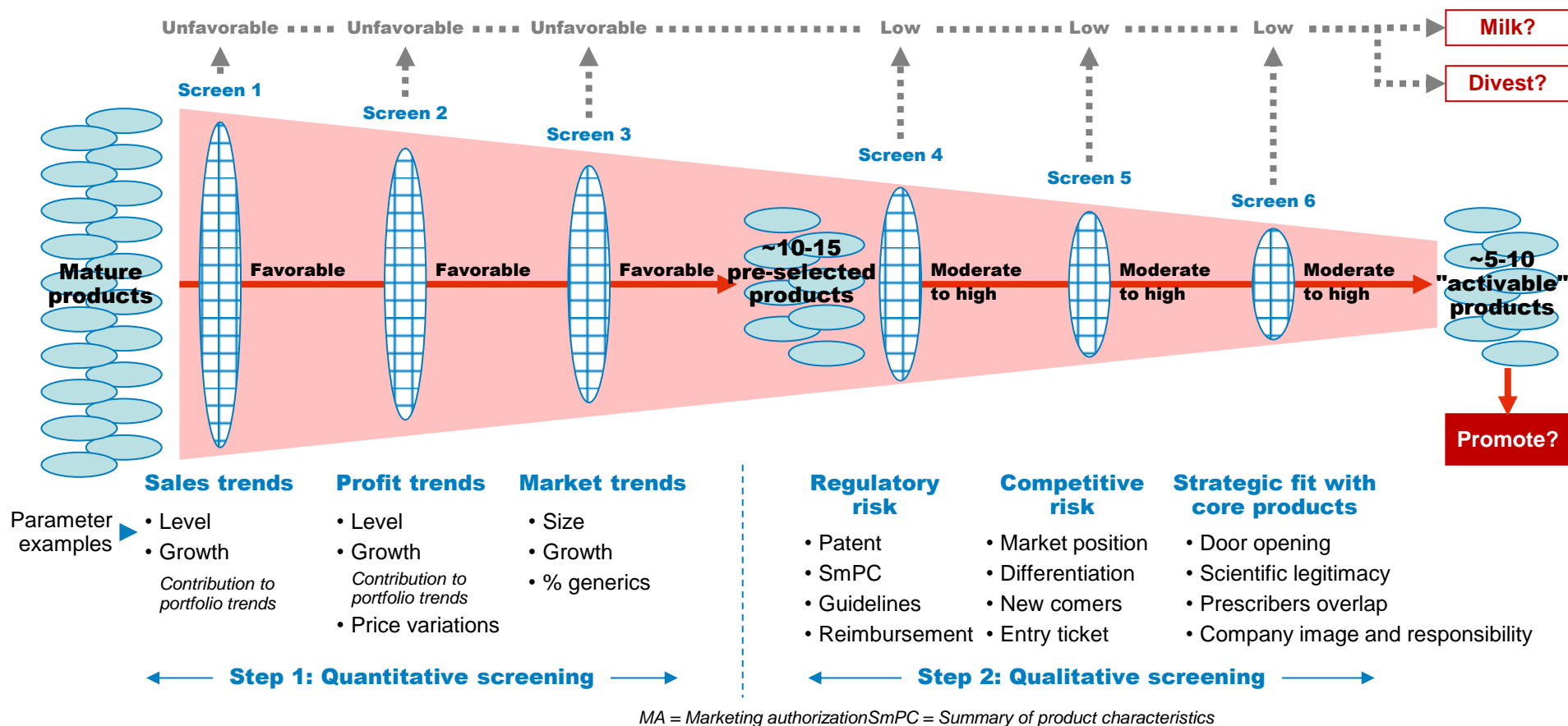


Sources: Smart Pharma Consulting Analyses

2. Portfolio segmentation and screening

The selection of "activable" mature products within marketed MAs and "sleeping" MAs of interest can be made through a 2-step screening process

Selection of "activable" mature products

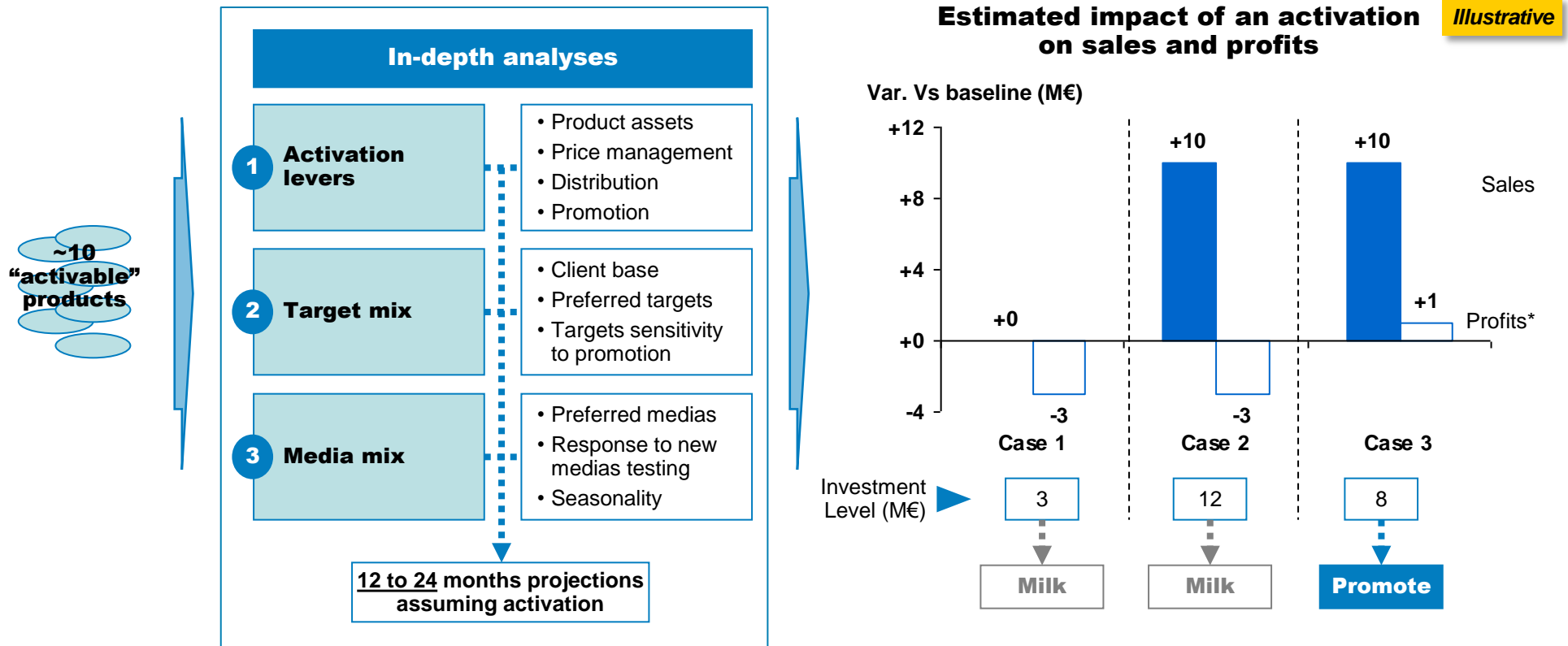


Sources: Smart Pharma Consulting Analyses

2. Portfolio segmentation and screening

An in-depth analysis of "activable" mature products is then required to determine most efficient levers to activate selected products

"Activable" products assessment

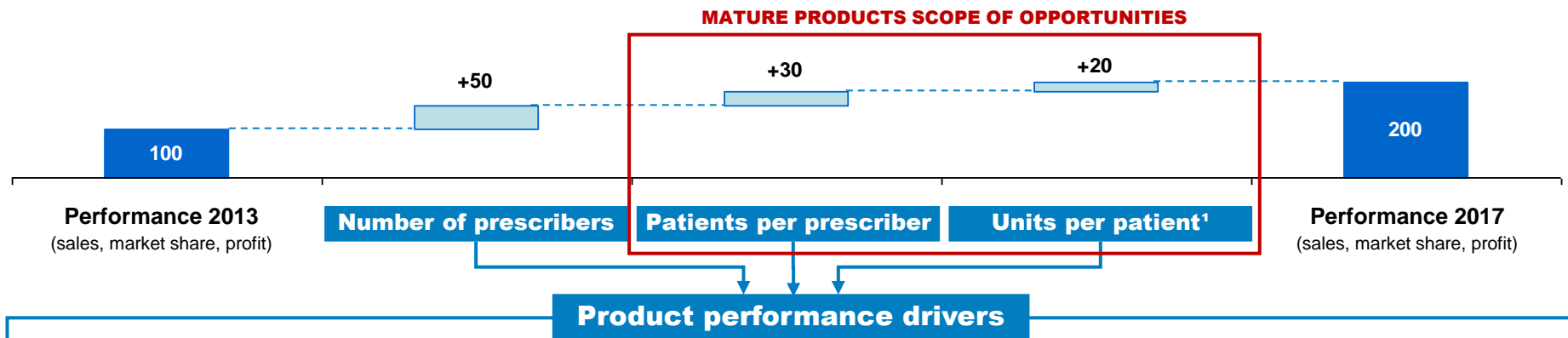


* Assumption: gross profit = 90% of sales. Thus, +€ 10M for an investment of € 8M will lead to a profit variation of: (€ 10M x 90%) - € 8M = +€ 1M)

2. Portfolio segmentation and screening

Opportunities usually considered to enhance sales trends at mature products level merely consist in maximizing the prescriptions per prescriber ratio

Product growth levels



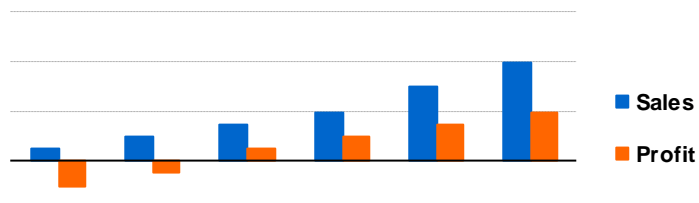
- 1 **Product attributes** → How could product leverage **indications**, **clinical outcome** and **positioning** to enhance performance?
- 2 **Price and reimbursement** → Can **price** be optimized and/or **reimbursement** conditions and **listing** be improved across portfolio?
- 3 **Distribution** → Does the company properly leverage all relevant distribution **channels**?
- 4 **Targeting** → What are the right **prescribers** to focus on to optimize portfolio sales trends?
- 5 **Promotional investment** → What should be required **promotional mix** (channels) to facilitate portfolio promotion to selected targets?

3. Portfolio strategy

The primary goal of mature products management is to maximize profits, also sales optimization may come as an immediate second-line objective

Portfolio management objectives

Growing products



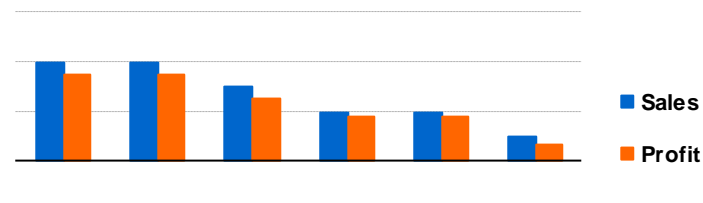
Objectives

- 1 Maximize sales
- 2 Develop profits

Maximizing investment may be the obvious response
However, some products sales may not soar with an excessive promotional support, thus inducing a rapid drop in profits

Investment should be regarded first in the light of **sales enhancement magnitude**

Mature products



Objectives

- 1 Maximize profits¹
- 2 Optimize sales

Milking may be the obvious response
However, some products sales may slump dramatically in the absence of promotional support, thus inducing a rapid drop in profits

Investment should be regarded first in the light of **profit erosion magnitude**

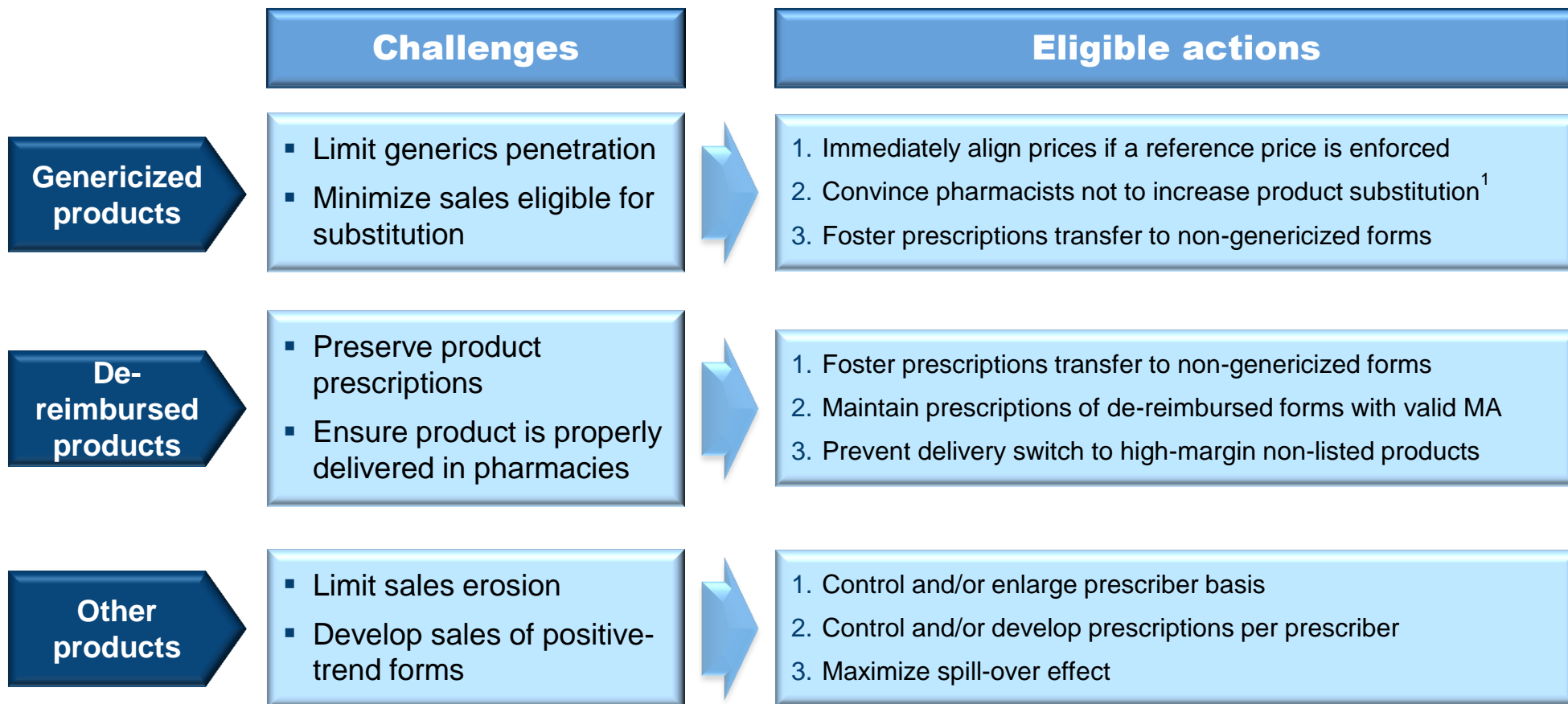
Sources: Smart Pharma Consulting Analyses

¹ Maximizing profit does not necessarily mean maximizing profitability

3. Portfolio strategy

Preferred product strategies currently range from limiting generics penetration to developing product prescriptions

Mature portfolio strategies



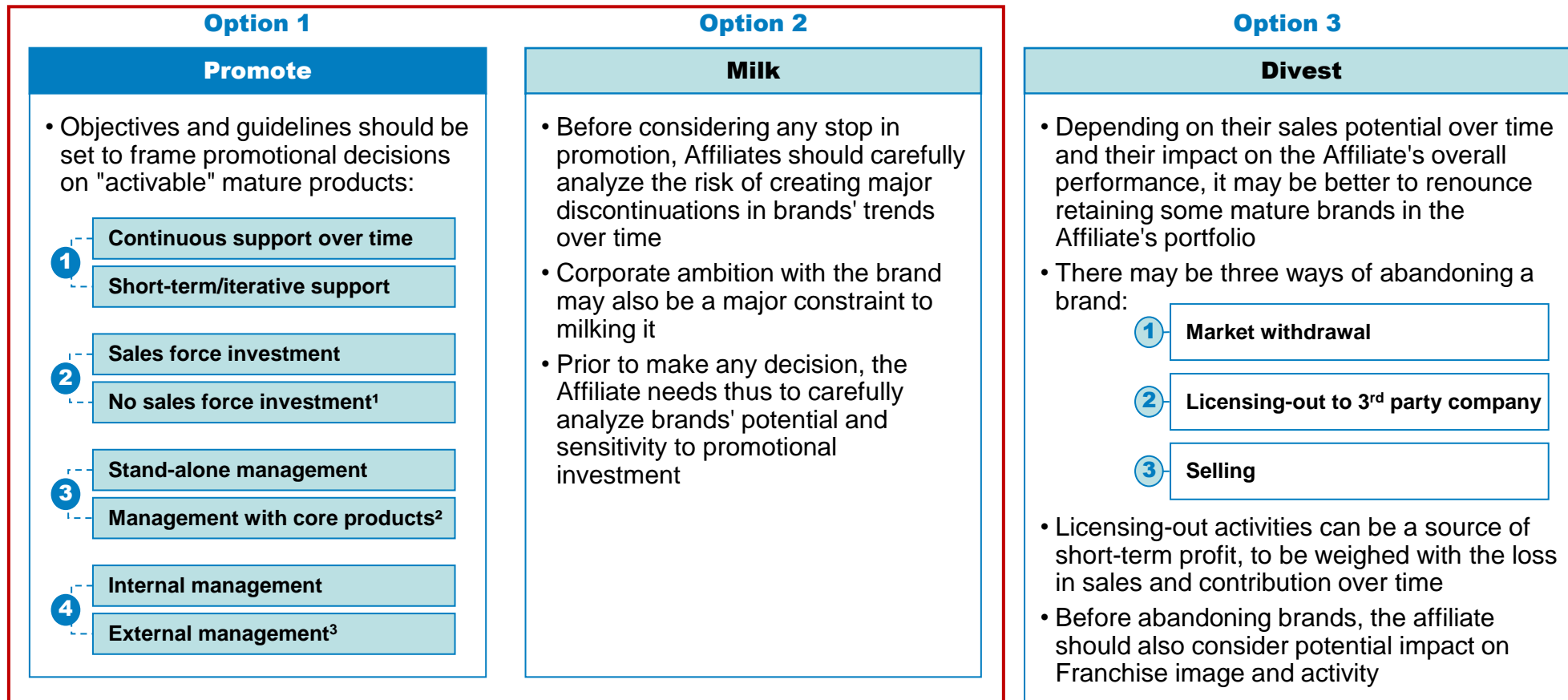
Sources: Smart Pharma Consulting Analyses

¹ In certain countries such a practice may be considered as illegal

3. Portfolio strategy

Promotional decisions on selected "activable" mature products should be made in compliance with precise objectives and management guidelines

Mature products' management – Investment decisions



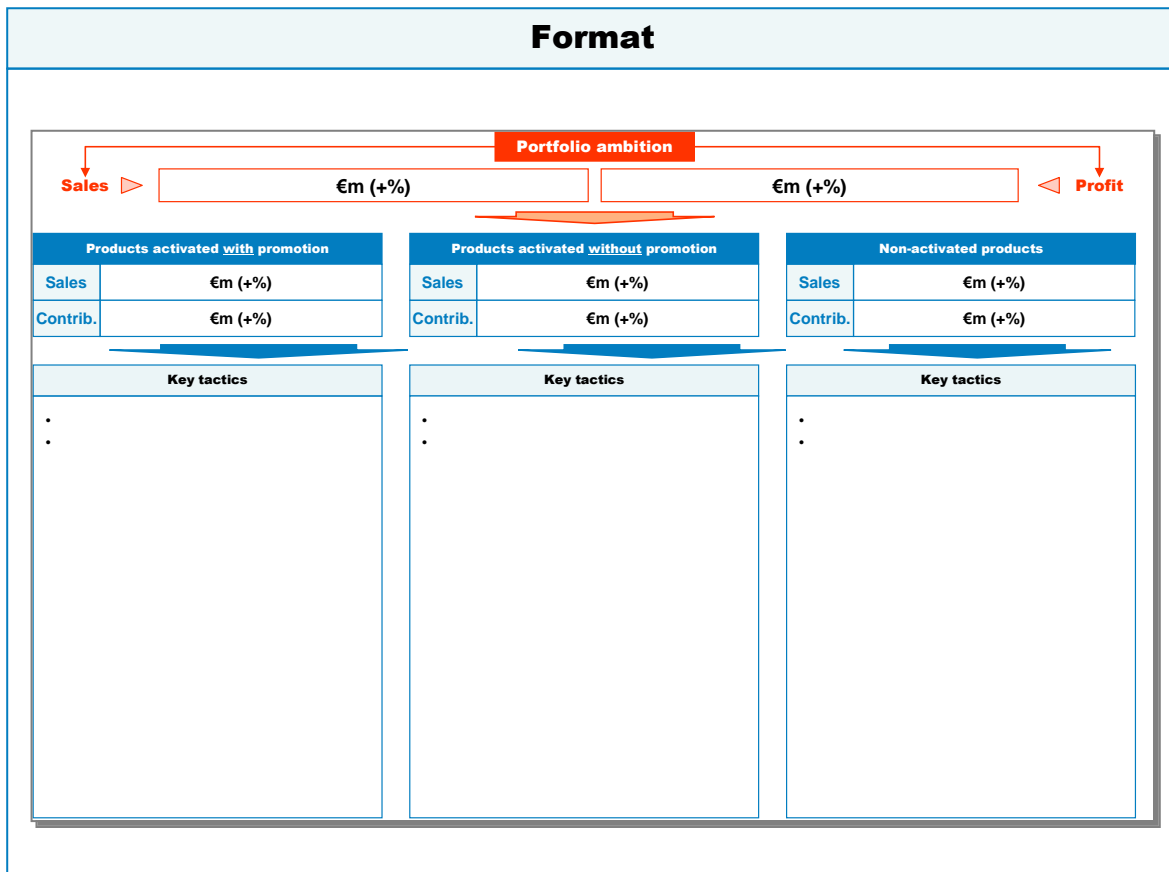
Sources: Smart Pharma Consulting Analyses

¹ e.g. PR, press, mailing, etc. – ² e.g. franchise strategy – ³ e.g. risk sharing

3. Portfolio strategy

The Portfolio Strategy Card has been designed to summarize investment decisions for the different mature product segments, in one page

“Portfolio Strategy Card”

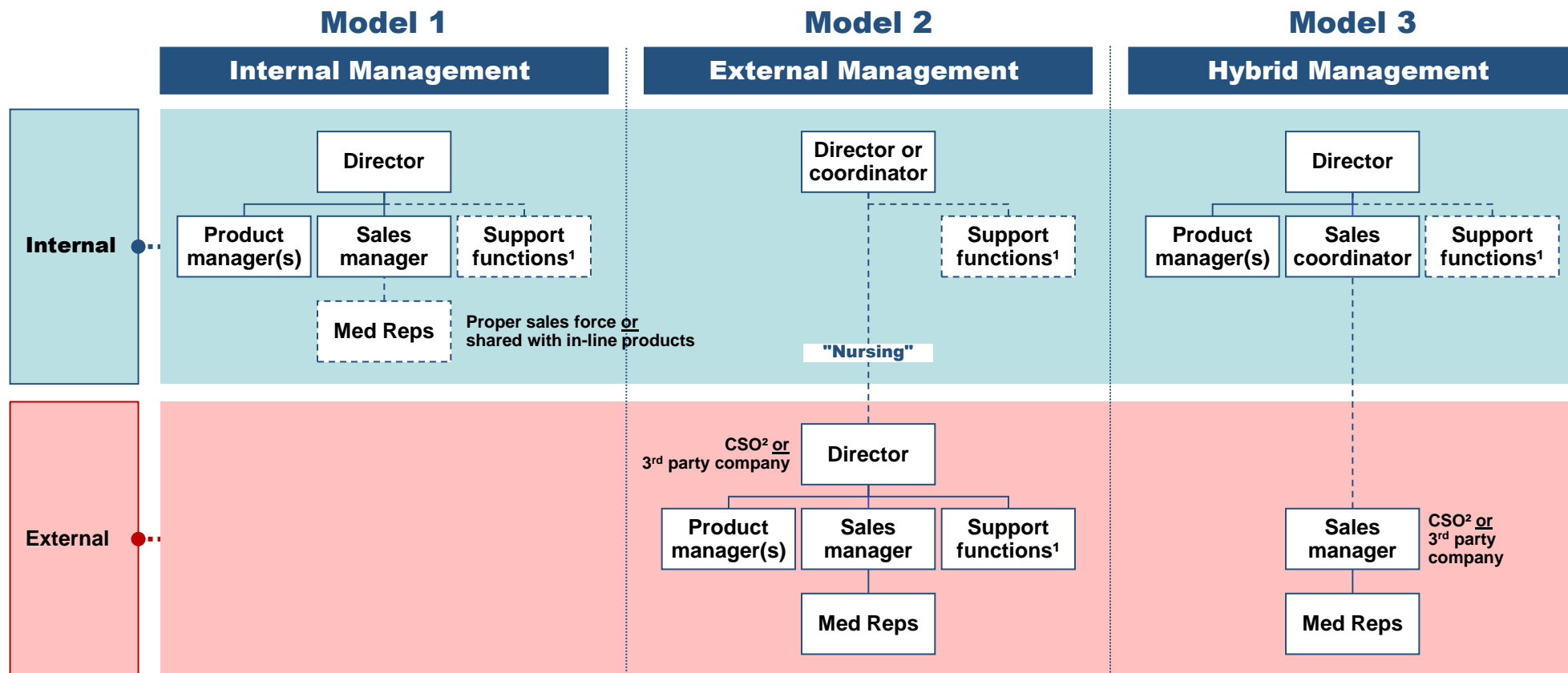


- Comments**
- Products can be classified into three categories:
 - Products activated with promotion
 - Products activated without promotion
 - Non-activated products
 - Sales and profit objectives are set for the entire portfolio and for each category
 - Decisions re. activation levers are summarized per product or product group (incl. packs, if any)
 - Targeting and multi-channel approaches are considered transversally (sales force support can also be split between external and internal, if relevant)
 - Non-activated products are split into three subgroups:
 - Milked products
 - Products not launched but which MA is maintained
 - Pruned products (licensing-out, cession)

3. Portfolio strategy

Three different organizations are usually considered to manage mature products at country level

Organizational models to manage mature products



Sources: Smart Pharma Consulting Analyses

¹ Medical, Regulatory, Human Resources, Administrative and Financial support – ² Contract sales organization

3. Portfolio strategy

Physicians saturation vis-à-vis face-to-face calls and the emergence of “new players” pushed companies to investigate alternative promotional channels

Multi-channel approach – Changes in the environment

- Strengthening of CRM¹ tools allowing for a more precise profiling of customers

- Strong detailing pressure of companies on the same targets of high potential physicians
- Evolution of product portfolios (increasing weight of specialist-oriented products requiring less reps)
- Increasing role of other market players (patient advocacy groups, regional sickness funds, etc.) influencing physician prescriptions

Implications for pharma companies

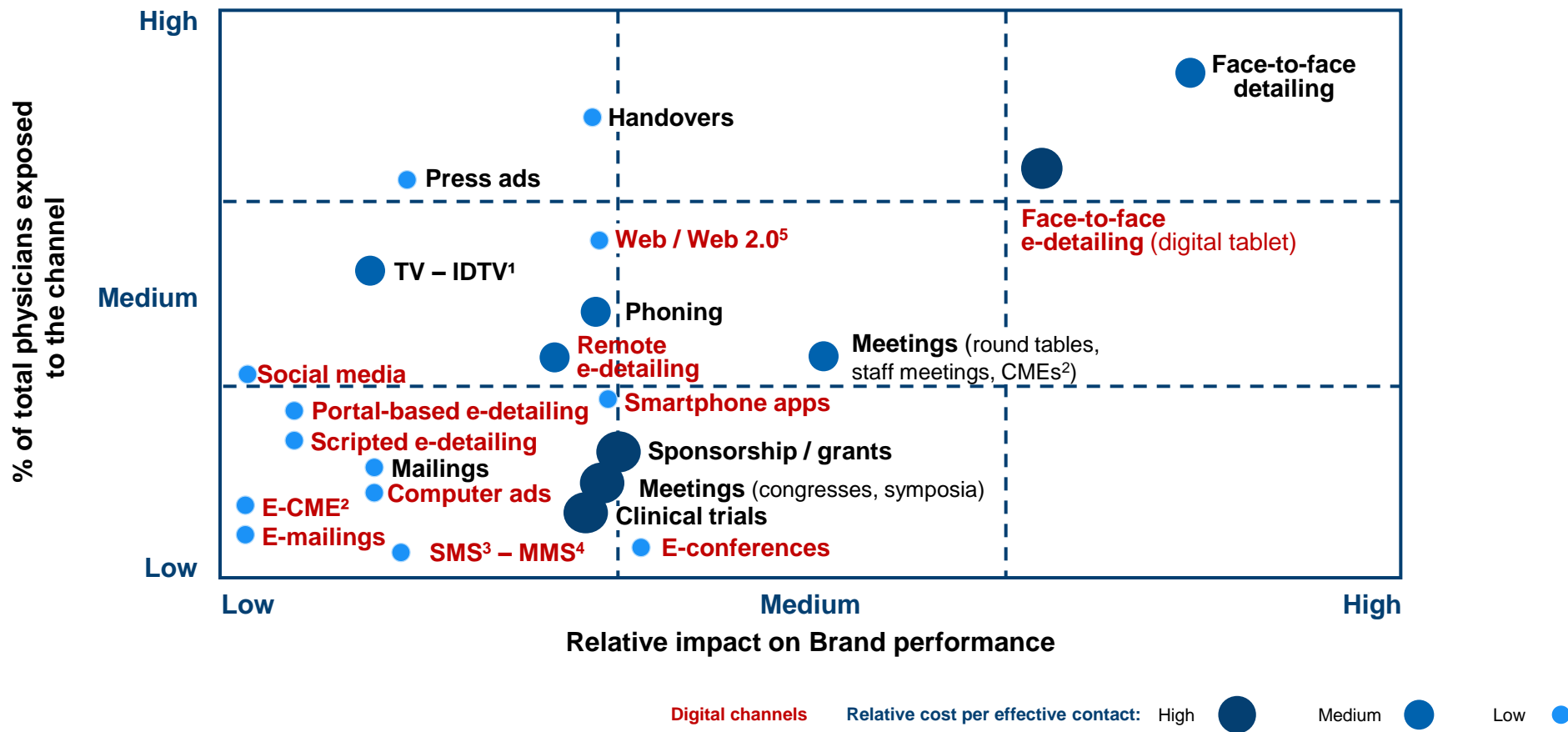
- Higher proportion of physicians refusing face-to-face calls from sales reps
- Tighter control of medical calls by health authorities which aims at:
 - Reinforcing detailing of products' good usage as set in SmPCs²
 - Limiting the number of calls to contain the number of physicians' prescriptions
- Need to adapt communication (contents and channels) to multiple targets (prescribers, influencers, payers)
- Reduced marketing and sales force budgets

- Reduction in the number of new active substances with high sales potential, lead companies to try to:
 - Improve the level of return on investment of each promotional activity
 - Maximize the profits of mature products by using more efficient promotional channels
- Less favorable economical context

3. Portfolio strategy

If the impact of an action may be high on an individual basis, the global result may be limited as the number of clients exposed to the promotional initiative may be too low

Multi-channel approach – Evaluation mix



Sources: Smart Pharma Consulting Analyses

¹ Interactive digital television – ² Continuous medical education – ³ Short message service – ⁴ Multimedia message service – ⁵ Including websites and blogs

4. Product leveragability evaluation

Two different approaches can be considered to measure out the benefit/risk of an investment variation on “activable” products...

Assessment of product sensitivity to promotion

Approach n°1

Anticipate expected impact in view of:

Past experience

Benchmarking

Ambitions

Propose best guess evaluation
(e.g. expected sales and/or market
share variations)
+/- pilot test / monitoring method

Approach n°2

Evaluation of required impact to:

Cover investment

Maintain sales levels

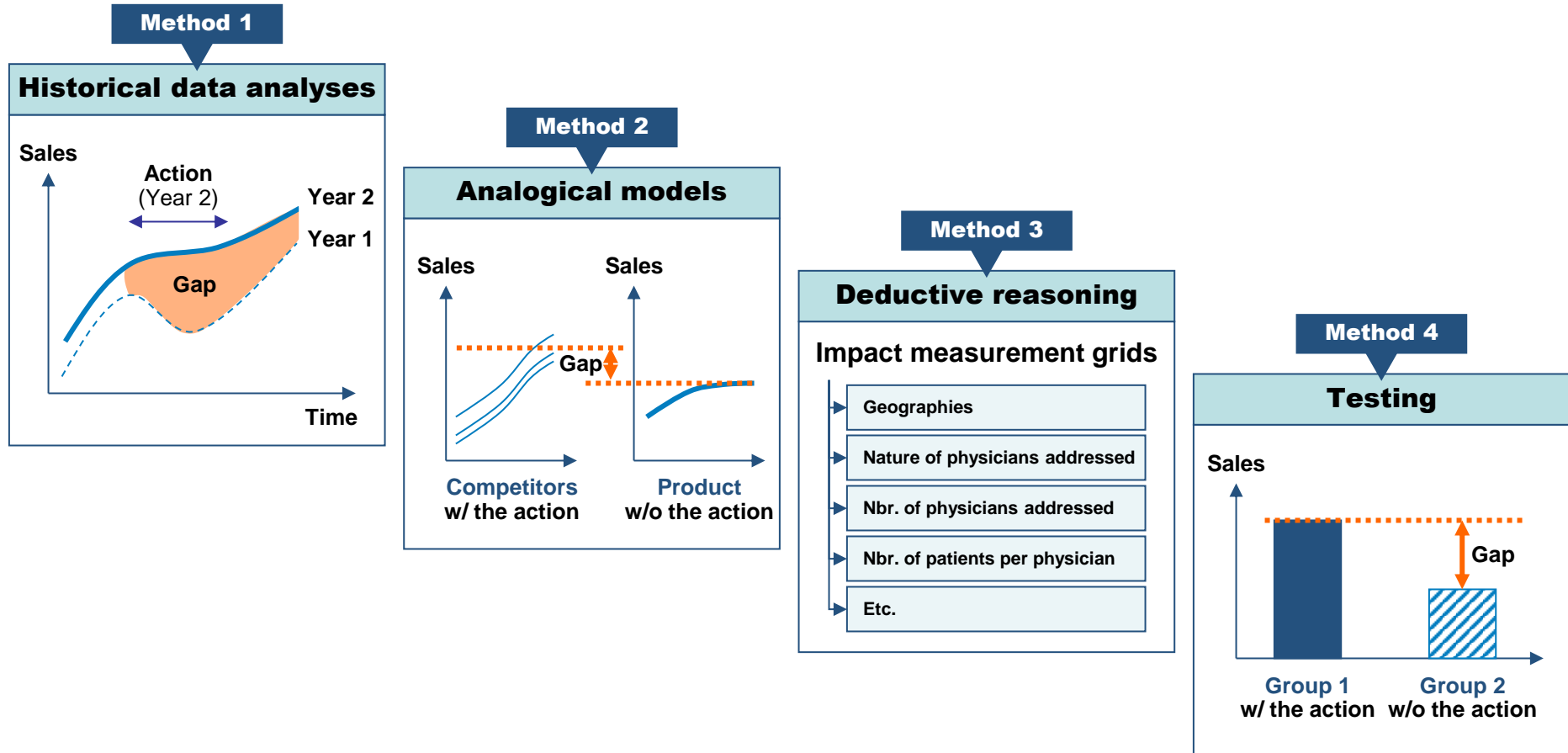
Maintain profit levels / ratio

Determine minimal impact
(e.g. required sales and/or market
share variations)
to break even

4. Product leveragability evaluation

... and up to 4 different methods can be used to quantify the impact of promotional investment decisions on products sales and profit trends

Methods to evaluate the impact of promotional investment decisions



Sources: Smart Pharma Consulting Analyses

Statistical methods should be considered in view of data availability and the capacity to isolate a specific action from the overall investment

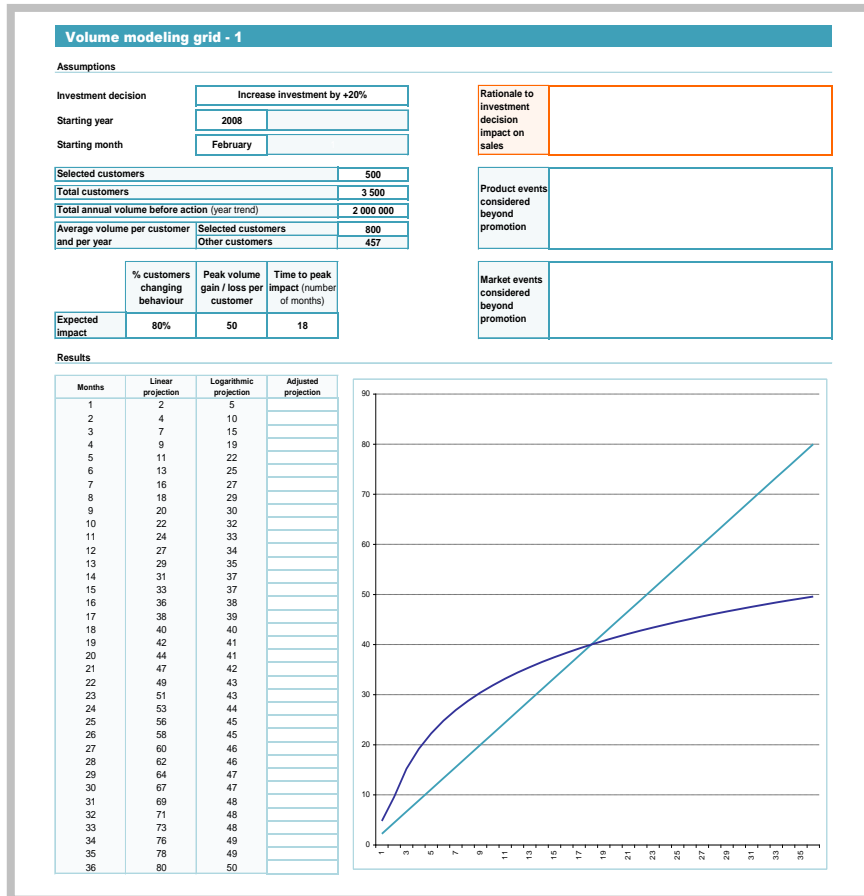
Statistical methods to measure investment impact

	Vs. control group (geography)	Vs. baseline (time)	Vs. benchmark (experience)
Description	<ul style="list-style-type: none"> Analyses comparing product performance in a group / area with the action and a group / area without the action Product usually compares to itself in both groups / areas, simultaneously 	<ul style="list-style-type: none"> Analyses comparing product overall performance with and without the action (no control group), in a sequential way (Y Vs. Y-1, Q Vs. Q-1) Product usually compares to itself (intrinsic approach) or to competitors (extrinsic approach) 	<ul style="list-style-type: none"> Analyses comparing a product performance with a specific action to another product performance in the absence of this action (investment levels and marketing mixes need to be quite homogeneous, exclusive of this specific action)
Methods	<ul style="list-style-type: none"> Ad hoc surveys monitoring Rx changes in pre-determined sub-populations Panel-based/P&L analyses comparing areas with and without selected action with standard parameters (e.g. sales, sales growth, market share, etc.) 	<ul style="list-style-type: none"> Ad-hoc surveys monitoring Rx before and after the action Panel-based/P&L analyses measuring variations Vs. baseline trends with standard parameters (e.g. sales, sales growth, market share, etc.) 	<ul style="list-style-type: none"> Ad hoc surveys monitoring Rx changes of both products Panel-based analyses measuring performance trends of both products with standard parameters (e.g. sales, sales growth, market share, etc.)
Examples	Measuring the impact of a congress on invitees prescription behaviors	Measuring product sensitivity to sales force variations	Comparing the performance of products two different promotional mixes
Applications	<ul style="list-style-type: none"> Analyses usually enable to identify an impact (either neutral or positive)... ... though without allowing any direct mathematical transposition to product overall sales 	<ul style="list-style-type: none"> Analyses enable to identify an impact (either neutral or positive), on a marginal or general basis (entire investment considered) Direct mathematical transposition to product overall sales usually possible 	<ul style="list-style-type: none"> Analyses enable to say that the performance could have been equal or better with the action The direct mathematical transposition to product overall sales may be possible, though with much caution

Sources: Smart Pharma Consulting Analyses

Logical grids objective is to anticipate the likelihood of a breakeven / significant positive impact of an action, through a step by step approach

Impact evaluation grids

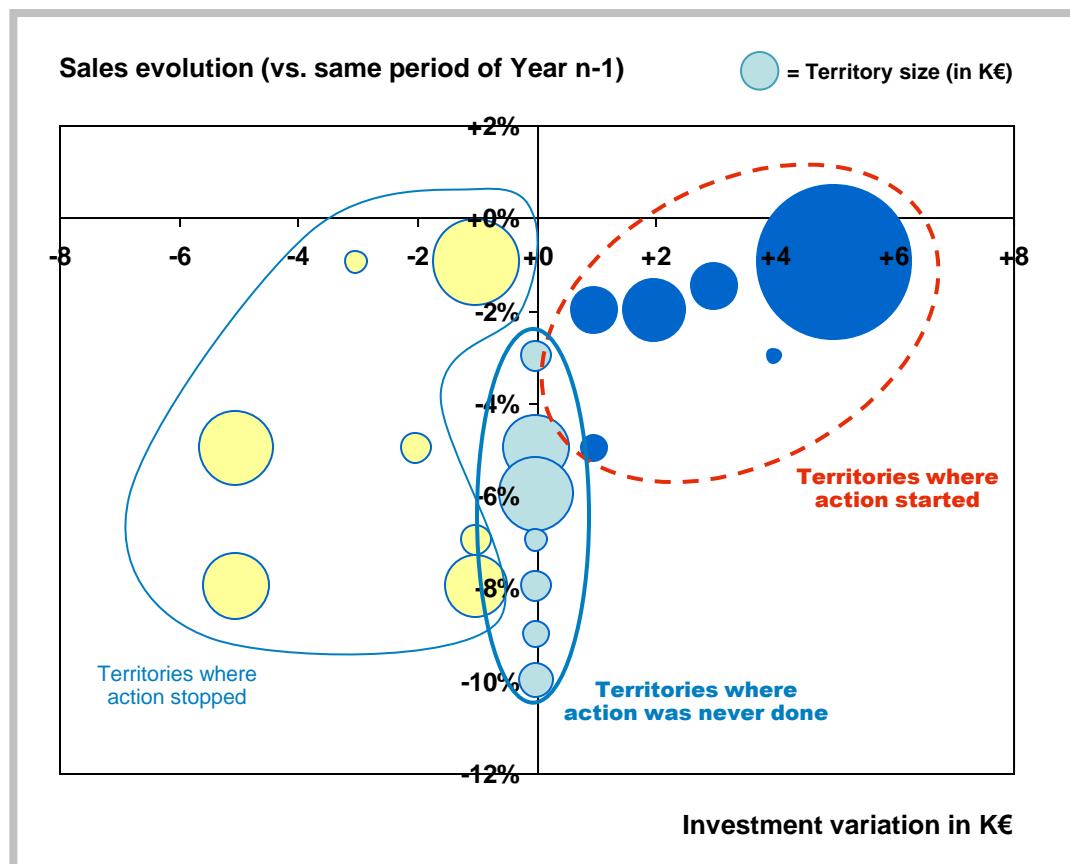


Comments

- Impact evaluation grids aim at measuring the impact of an action, while going through **logical steps**, e.g.:
 - % of physicians to be accessed with the action
 - % of physicians accepting to participate into the action
 - % of physicians convinced by the action
 - Physicians weight in total product sales before action
 - Performance trends change among physicians changing their behavior (gain either in terms of market share or sales growth)
 - Related sales gain after action at local / national level
 - Action cost
 - Net result
- Most parameters would need to be populated via ad hoc surveys, however, the **beforehand evaluation** of expected impact without those ad hoc surveys can also be an excellent means to properly calibrate an action
- Impact evaluation grids should be used **for major actions only**

Logical reasoning should ideally be complemented with testing, when *a priori* evaluation seems to be favorable, to verify action efficiency

Testing of the impact of invitations to congresses in selected territories



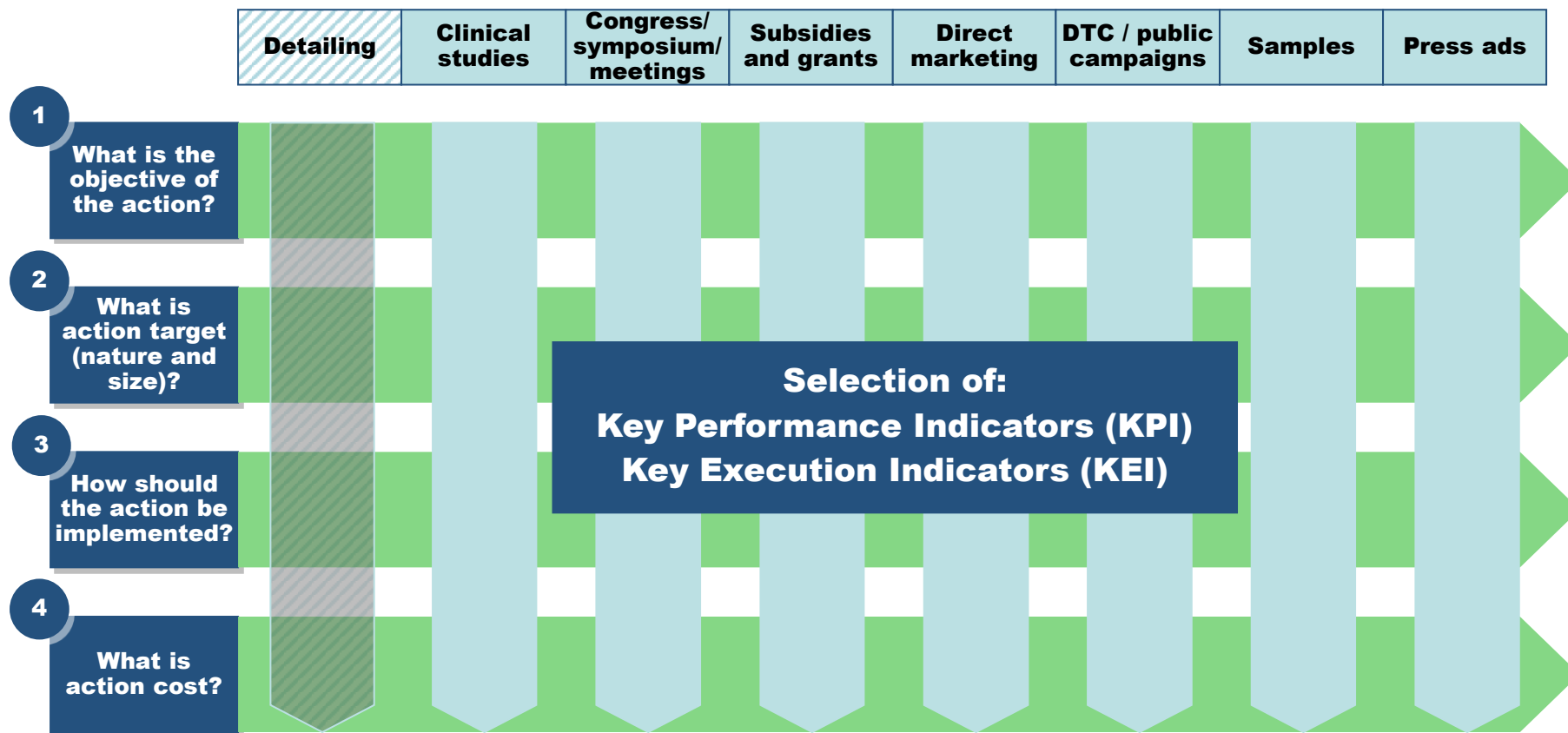
Comments

- Sales evolution should be measured for a specific period of time
- Period calibration is the most difficult part of the exercise, and should take into account:
 - Action pre-launch (e.g. formal invitation by Reps for a congress)
 - Action own time (e.g. congress date)
 - Action monitoring (e.g. Reps visit to get physicians feedback)
- Action impact is usually measured either instantly or up to 3 months after action initiation, for mature products
- There is no need to measure out systematically the impact of stopping the action; however, if territories are vacant or action did stop for any reason, it might also be interesting to consider them into the analysis

5. Performance monitoring

Four questions would need to be answered before implementing any action and monitoring it with KPI¹ and KEI²

Investment implementation – Key questions to be answered before acting



DTC = Direct to consumer

6. Conclusions

General recommendations

- **Mature brands** representing as much as 30% to 50% of certain big pharma total sales and 60% to 70% of their profit contribution, performance optimization should become for them a **strategic priority**
- The opportunity of **optimization** should **be assessed** brand **by brand** and country **by country** (*e.g. Branded generics competition like in Eastern European countries have a totally different impact on original brands compared the one observed with unbranded generics like in Western European countries*)
- **Decision to invest** in promotion should be supported by **cost-efficient** market studies and **analyses**, rather than intuitive considerations, as it is too often the case
- **When** mature brands have shown to be **sensitive** to **promotion**, the level of effort should demonstrate an **impact** on performance, **at national level**
- **Targeted physicians** should include **only moderate** and **high prescribers** of the mature brand (*the primary objective been to remind them about the brand and not to convince them. After 15 to 20 years in the market it, is too late to convince non and low prescribers*)
- If HCPs are increasingly embracing **digital technology**, it is **far to be a panacea**
- Pharma **companies**, such as **Pfizer** or **Novartis** are **structured to tackle** their **mature portfolio strategy head-on**, via **cross-functional lifecycle management teams** or **dedicated business units**

6. Conclusions

Four Key Success Factors

1. **Mature products** should be **recognized** by the corporate management committee as a **key strategic lever**
2. Mature products **franchises** or **BUs** should **be set-up at national level** (to better address local specificities), while remaining **lean** and **agile**, **capitalizing** as much as possible **on shared support functions** (i.e. finance, manufacturing, supply, regulatory, legal, BD, medical, commercial, etc.)
3. **Collaborators in charge** of managing mature products should: be **experienced**, have **no preconceived idea**, have an **entrepreneurial mindset** and be able to **mobilize support functions throughout the company**
4. Decision-making **processes** should be **fact-based** with a **permanent double valuation** at **global** and **local levels** so that trade-off analysis can be carried-out

Core capabilities

1 Strategy

- **Assessing the attractiveness of markets** (Hospital / retail innovative products - Vaccines - OTC - Generics)
- **Growth strategy**
 - Optimization of marketing / sales investments
 - Development of a company in the hospital market Business
 - Valuation for acquisition
 - Portfolio / franchise assessment
- **Extension of product life cycle performance**
 - Improvement mature products performance
 - Adaptation of price strategy
- **Defense strategies vs. new entrants**
- **Competitive strategies in the hospital market**
- **Strategic partnerships companies / pharmacies**

2 Management

- **Facilitation and structuring of strategic thinking for multidisciplinary product teams**
 - Key challenges identification
 - Strategic options formalization
 - Resource allocation optimization program
- **Training of marketing and market research teams to sales forecast techniques (modeling and scenarios development)**
- **Development and implementation of a "coaching program" for area managers**
 - Sales reps coaching
 - Regional action plans roll-out
- **Development and implementation of a "sales techniques program" for sales forces (STAR¹)**

¹ Sales Techniques Application for Results (training course)



3 Organization

- **Rethink of operational units organization**
- **Improvement of sales force effectiveness**
- **Improvement of the distribution channels covering the hospital and retail markets**
- **Development of a strategic planning process**