

Pharmaceutical
Sales & Marketing
Advisory
Practice

November 2007

Our approach to pharmaceutical sales, strategy and marketing

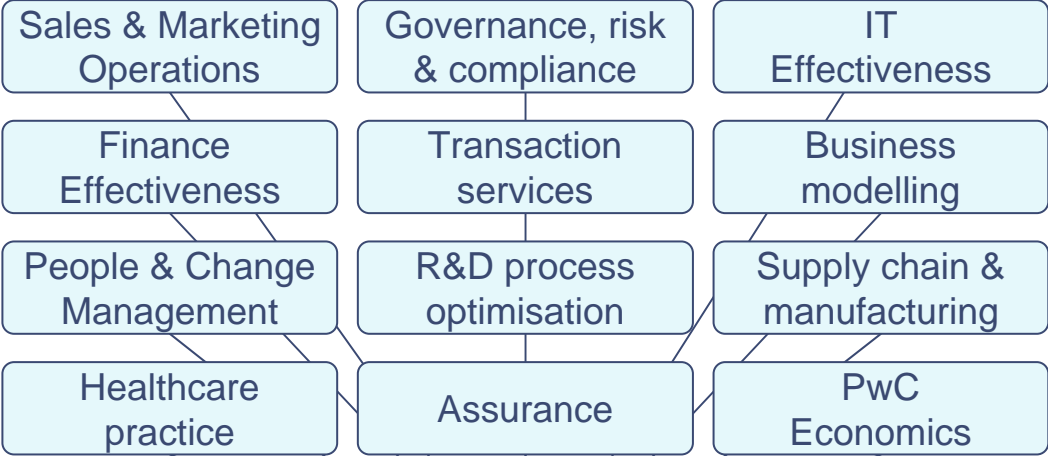
Pharmaceutical companies increasing pressure to improve their performance in the face ongoing demand to deliver improved profitability and are under mounting pressure from payers, regulators, generics and an evolving mix of products. The traditional Sales & Marketing response – driving revenue with ever larger sales forces - is no longer sustainable, particularly with an increased focus on ethical and regulatory compliance issues.

PwC has extensive experience of pharmaceutical sales and marketing and connects to over 8000 performance improvement and 2100 pharmaceutical specialists in 90 countries. We have recently published “Pharma 2020: The Vision, Which Path Will You Take?” using our expertise to stimulate discussion about the shape of Pharma in 2020.

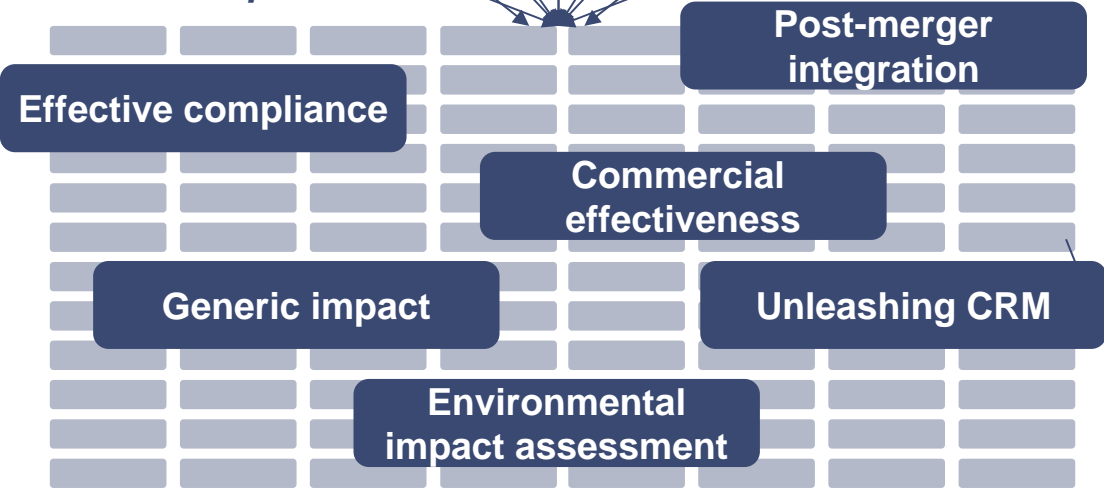
The breadth of skills and experience within our global network gives us the ability to recognise, solve and exploit problems and opportunities faced by our pharmaceutical clients. The intellectual capital we bring allows us to challenge our clients and help solve their needs as they arise.

Our solution space is built on a broad capabilities drawing experience from across Pharma, healthcare and other industries. We have illustrated some of our capabilities with a few examples.

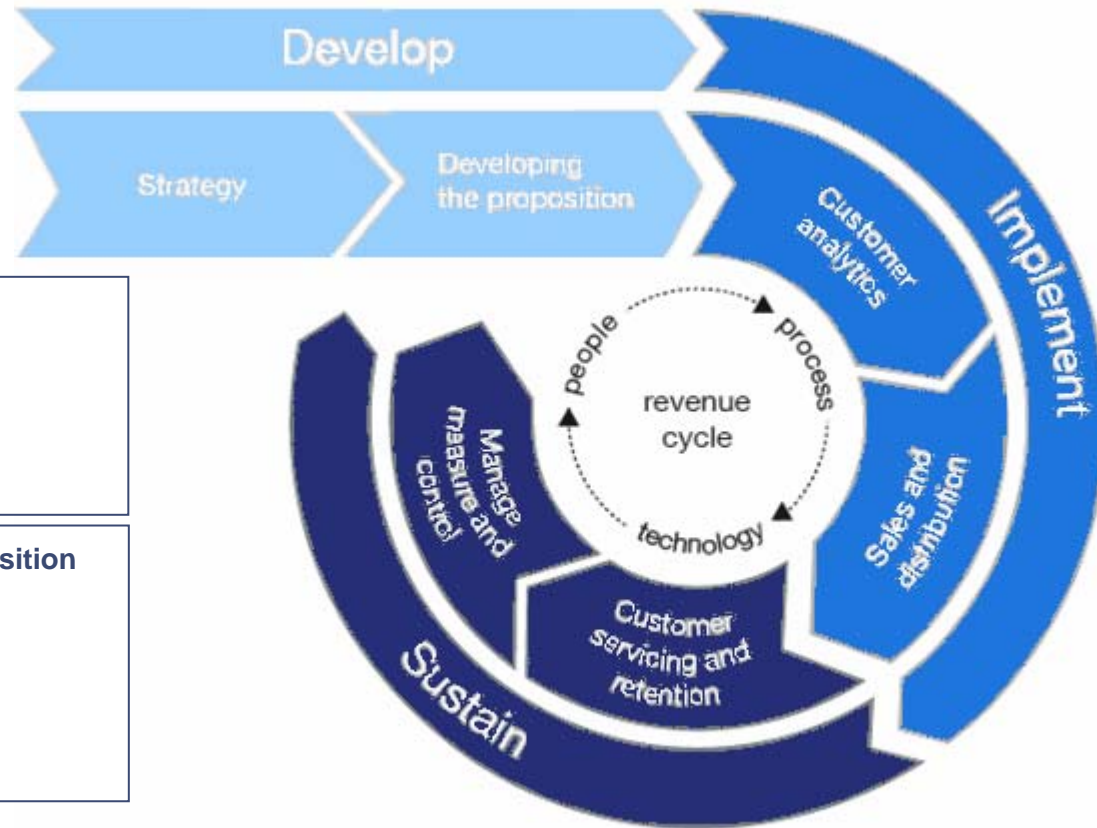
Related PwC Pharmaceutical Capabilities



Solution Space



Additional taxes on field force promotion means that commercial effectiveness is critical to limit the impact of reduced effort



Strategy

- Culture and values
- Hiring
- Competitive advantage
- Communication strategy
- Brand strategy process
- Business development

Developing the proposition

- Product forecasting
- Cross-functional alignment
- Brand positioning
- Marketing mix
- Marketing materials
- Sales force briefing
- Portfolio prioritisation

A framework such as this can be used diagnosing and prioritising drivers of commercial effectiveness. Increased effectiveness can be used to offset the impact of decreased promotional effort.

Customer analytics

- Customer knowledge
- Systems
- Market segmentation
- Customer targeting
- Brand planning process

Sales & distribution

- In-call effectiveness
- Field force design
- Selling process
- Channel optimisation
- New product introduction

Customer servicing & retention

- Selling strategy
- CRM
- Territory design
- Retention strategies

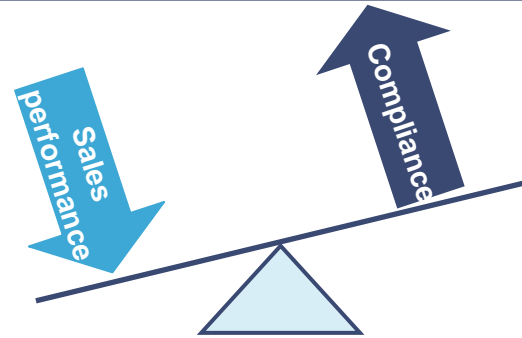
Manage, measure & control

- Performance measurement & management
- First-line management
- Incentive planning & goal setting
- Information systems
- Training & learning
- Life cycle management

Effective and compliant sales and marketing organisation

Current Situation:

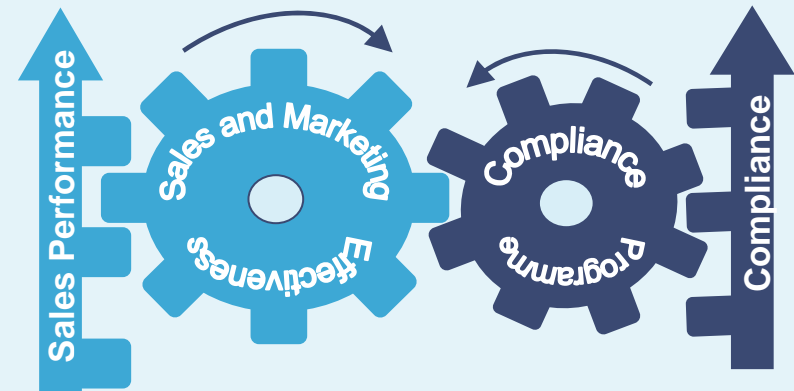
Compliance is a legal, ethical and regulatory requirement. The perception is that the ever growing need for compliance will have a negative impact on sales performance.



Vision:

Compliance programmes require process, behaviour and technological change. As they are focused on the same activities which drive sales effectiveness we can consider compliance and sales and marketing effectiveness can be mutually beneficial.

Embedding the compliance programme activities within a framework of sales and marketing effectiveness allows us to identify opportunities not only to drive the necessary improvements in compliance but the desired improvements in sales performance.

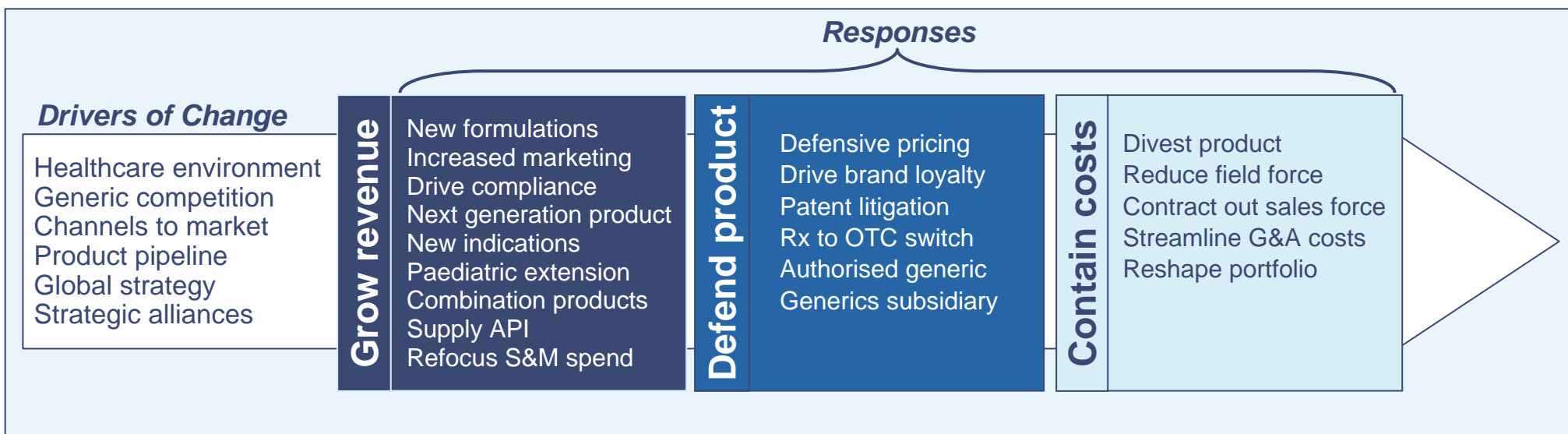


Our Role:

Our engagements in the area of pharmaceutical governance, risk and compliance are enhanced in combination with our experience of sales force effectiveness studies, putting us in a strong position to help assess your selling and marketing processes. The objective is to drive effective compliance through one common conversation which recognises not only the appropriate balance between competing tensions but more importantly, the symbiotic relationship between drivers of effective selling and drivers of compliant selling.

Impact of generics

Over the past decade, the industry's spending on research and development (R&D) has more than doubled in real terms, but the number of new medicines it launched in 2006 is only two-fifths of the number it produced in 1995. Analysis shows that only two Big Pharma companies earned more than 10% of their revenues from 'major' products that are less than 3 years old. Worse still, these 38 products generated less than \$10bn of the \$316bn Big Pharma earned from its entire portfolio. It is estimated that by 2012 the leading pharmaceutical companies will lose between 14% and 41% of their revenues as a result of patent expiries.



Planning for a major product going generic requires careful understanding of the evolving environment into which the product will cease to be patent protected. This underlying environment will inform the three major streams of protecting the revenue, growing alternative revenue streams and reducing overall operating costs. PwC is well placed with a strong healthcare practice and expertise in supply chain, pricing and the regulatory environment to understand this underlying environment from which we can help clients understand all available options and to model the financial impact of each.

Harmonisation and integration of planning processes

As organisations change either through radical leaps or by evolution, planning processes are often left behind or evolve out of step with the organisation itself. It is critical to redefine processes, system requirements and roles to create efficient, effective and dynamic organisation. Effective, integrated planning processes are the framework on which the best decisions for the organisations can be made. A review of these processes should seek to ensure that historical processes are optimised for now and the future. These revisions can be initiated by a need to improve the day to day operations or can be associated with a number of trigger events, such as:

New product launches where it is critical that all steps have been identified and will be performed in a timely and consistent manner.

Post merger / acquisition where integration of a new operating company and alignment of planning processes after the 100 day plan is critical to maintaining business as usual and capitalising on any potential synergies.

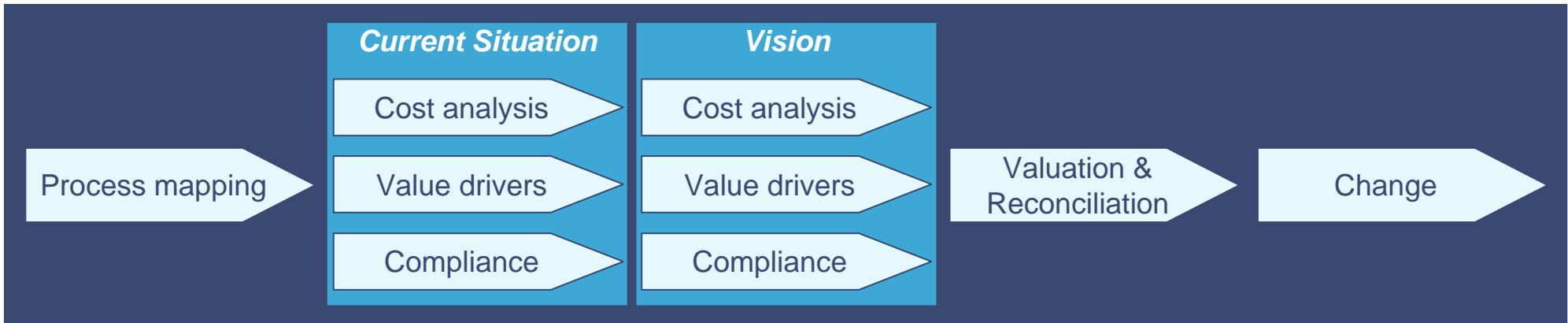
A failure or breakdown of process or procedure whether this is through lack of foresight, a break in compliance or miscommunication of key facts or information.

Major structural change through the acquisition of products, patent expiry, entering new markets or for the purposes of efficiency.

We have significant experience at optimising planning process, particularly with our strength across the whole value chain. We have the deep experience required to integrate planning across finance, sales and marketing, research and development, supply chain and manufacturing. It is only through ensuring that the impact on all elements of this value chain are understood and incorporated in effective planning. Our intellectual capital in regulation and sales and marketing 'compliance' means that reputational and business risk can be understood, monitored and ultimately reduced. Our experience shows that effective cross functional planning leads to greater leverage of fewer systems and data sources which lowers costs, improves consistency and results in higher revenue generation.

Unleashing the value of CRM

CRM or SFA systems represent a significant investment. Has this large investment delivered on its promise in organisations or are all the benefits of such as system being fully recognised? Are the tools and processes ready for changes in selling models affecting many markets?



PwC's approach seeks to understand not only the cost and the value proposition associated with the system but also the balance between an effective CRM system and a compliant and ethical sales and marketing organisation.

The **costs** are not only that of licenses, installation, maintenance but also the activity costs of using it throughout the organisation. Our extensive experience of activity based costs helps us understand the true cost of systems and processes to the organisation.

In understanding the **value proposition** we would map the current processes and how they are used to deliver this value. By building a blueprint for each use of the CRM system and modelling the potential value created by each we can understand the potential gains in changing the current processes.

When used in conjunction with the compliance implications we can advise on an appropriate change program to really unleash the value of any system. Although we have significant experience in IT and the issues associated with CRM, we are not implementers of solutions and as such our role is clearly defined as that of trusted advisor. We will seek to help you make selections of new systems or drive the value from your current CRM solution addressing the challenge of new ways of going to market.

Pricing and environmental change impact

One of the few certainties facing pharmaceutical companies over the next few years is that health-economies around the globe will seek to reduce their overall healthcare expenditure. This will manifest itself in different ways within each of the markets from aspects such as increased payer influence or revisions of the pricing mechanisms. Defining the performance expectations and developing the commercial strategy is increasingly challenging given:

- Changes in portfolios of most major pharmaceutical companies over the next 5 to 10 years
- Uncertainty around the developing role and influence of the payer
- Potential for radical shifts in pricing mechanisms



PwC can provide deep expertise in healthcare, commercial pharma, pipeline evaluation and economic modelling. Combined with our skills in scenarios development and our proven track record of thought leadership around the future of the pharmaceutical industry and healthcare we are ideally placed to help develop a series of potential ‘futures’. We can help you develop these visions for specific markets and produce strategies and with supporting financials.

Contacts

Dr Steve Arlington
Partner
Steve.Arlington@uk.pwc.com
+44 (0) 20 7804 3997

Dr Nick Jones
Senior Consultant
Nick.J.Jones@uk.pwc.com
+44 (0) 20 7212 6578

Nick O'Hare
Senior Consultant
Nick.P.OHare@uk.pwc.com
+44 (0) 20 7212 1564

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