CAN COMPETITIVE INTELLIGENCE HELP PHARMA CALIBRATE INNOVATION STRATEGIES?

RISHI SRIVASTAVA,
SUBJECT MATTER EXPERT,
RESEARCH & ANALYTICS

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"The fundamental basis of above-average performance in the long run is sustainable competitive advantage."

- Warren Buffet

The global pharmaceutical industry, defined for decades by its inherent ability to innovate new products and services, should take serious note of Buffett's statement as it approaches a tipping point. Immense pressure from payers as well as regulatory and pricing authorities has been pushing down pharma companies' operating margins. At the same time, global markets and patients expect greater differentiation from the companies. The recent disruptions in the buyer ecosystem and patient empowerment are building up an impact that will affect the very business models that have defined the industry for decades.

In other words, it is no longer sufficient to launch new products or services in markets that are fast filling up with generics and biosimilars. As patients continue to become better informed and the demand for tailored medicines goes up, pharma companies need to move towards healthcare outcomes instead of product-based solutions. Key factors driving this shift are:

- Downward pressure on pricing by governments and insurers is pushing pharma companies to demonstrate greater value from their therapies[1]
- Payers are beginning to establish treatment protocols and demanding greater transparency around drug pricing
- Digitalization in the pharma sector is giving patients the opportunity to become more engaged, informed and empowered[2]

Despite these changes, pharma companies continue to function on conventional business models. At present, business models for pharmaceutical companies are based on their business focus (specialty / multi-specialty vs. general medicine); therapy focus (rare disease vs. mass markets); business stage (clinical stage vs. fully commercial); product portfolio (branded vs. generics); or geographical outreach (global vs. regional) and so on.

Insights from Competitive Intelligence (CI) can help pharma companies identify their core strengths vis-à-vis competitors. Such insights can help companies zero in on unmet needs to transform not just their offerings, but their business models as well.

[1]https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/02/pharma-outlook-2030-from-evolution-to-revolution.pdf
[2]http://www.mckinsey.com/industries/pharmaceuticals-and-medical-products/our-insights/the-road-to-digital-success-in-pharma

The analysis of the competitive environment can also guide their Research and Development (R&D) focus.

Most pharma companies already have sophisticated CI abilities that provide continuous insights on opportunities and threats. Companies can also use internal intelligence to gain an assessment of the organization itself, its R&D focus and business goals. This helps a company benchmark its performance, identify its strengths and highlight priority areas. Superimposing results from business and competitive intelligence can thus help pharma companies find new avenues to differentiate their brand and fulfill a need within the market.[3]

The Path Ahead: Drug Development and Launch

Experts foresee market shifts and insights leading to a complete transformation of pharma business models. In their paper on Pharma Outlook 2030, KPMG outlines three business model archetypes that might prevail in the future. The **active portfolio** company will be active in several therapeutic areas, with active product lifecycle management being a core focus. **Niche market specialists** will be smaller, specialized companies that focus on a single therapy area or disease, and manage the entire patient lifecycle from prevention to cure. Finally, **virtual value chain orchestrators** will be technology-focused companies that own data on therapies, patients and research, and deliver products and services aggregating demand and supply for healthcare services.

Our own insights, gathered through a WNS DecisionPoint™ survey[4] of senior executives across leading pharmaceutical companies, reveal how pharma companies are embedding CI into their operational and strategic decisions.

As companies approach loss of exclusivity for their leading blockbusters, they could leverage analytics to redesign customer strategies, refine segmentation and optimize the marketing mix. Even multi-channel strategies can be adopted and e-channels can be sensibly leveraged to achieve cost-efficient promotion.

Pfizer's Lipitor, which lost exclusivity across different geographies between 2011 and 2012, managed to maintain three times more market share than usually seen with blockbuster drugs after losing patent rights. This was achieved by focused commercial strategies adopted by Pfizer, including rebating payers, and launching an authorized generic to reduce attrition.

Companies are also targeting improved productivity in the development of new products and services by optimizing their portfolios to focus on fewer therapeutic areas.

In 2014, Novartis sold its vaccine business to Glaxo Smith-Kline (GSK), and acquired GSK's oncology business in return, to build a focused portfolio. It also sold off its animal health business to Eli Lilly.

In a similar deal in 2016, European giant Sanofi sold its animal health business to Boehringer Ingelheim, and acquired its consumer health business in return to consolidate its over-the-counter business. Operationally, this focus translates into a better understanding of a therapy area's unmet needs, and the agility and flexibility to respond to opportunities faster.

It is no longer enough for pharma companies to simply acknowledge the market shifts. They need to position themselves in a way that empowers their operational models and fuels innovation. As pharmaceuticals identify the business model that best aligns with their goals and transition to it, a centralized and top-down focus on CI and advanced analytics capabilities will be critical for sustained competitive advantage and growth.

[3]https://understandingcentricity.wordpress.com/2016/03/29/the-hidden-connections-between-competitive-intelligence-and-innovation-in-pharma/
[4]https://www.wnsdecisionpoint.com/our-insights/reports/detail/46/bending-the-buyer-power-curve-downwards

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