

New Commercial Model: Science or Swag?



Should you blow up your sales force or stick with the status quo?

Pharmaceutical companies today face a fundamental decision about the best way to sell their products. Many physicians feel that company sales reps provide minimal value beyond sampling, and that their claims are biased. Payers increasingly demand evidence of product value beyond safety and efficacy to balance expected benefits against access and pricing concerns. Patients are frustrated by a perception that drug prices are inflated by expensive marketing tactics and excessive profit margins. And governmental agencies and regulators remain concerned about the ethical pitfalls of the sales rep model. Moreover, even if pharma companies could find a way to make the current sales model work, they would still be facing sky-high commercial costs.

Given these trends, should pharma companies stick with their traditional approach to selling? Or should all of the companies in the industry collectively blow up their sales forces and try something new?

Here's the debate:

	Point	Counterpoint
<p>Blow up the sales force.</p> <p><i>“Replace the sales force model with something that adds more value to the process. Consider following the lead of the life insurance industry, which replaced captive sales forces with third-party agents that objectively represent multiple companies.”</i></p>	<p>What dedicated sales reps do today is a huge waste of money and resources. For many products, they simply drop off some samples, get a signature, and deliver a hit-and-run sales pitch (if they are lucky).</p> <hr/> <p>Physicians view sales reps as a waste of time. That's why 1 of 4 physicians now refuses to even meet with sales reps -- and the number is growing.</p>	<p>Your sales force plays a key role in helping physicians understand the benefits of revolutionary new products.</p> <hr/> <p>Although sales reps are closed out of some offices, putting “feet on the street” continues to show a positive ROI. The information sales reps deliver might need to be improved, but the model works.</p>

	Point	Counterpoint
	Independent representatives serving multiple drug companies could provide physicians with in-depth, objective advice – while saving pharma companies a ton of money.	A fundamental shift to independent, third-party representation is impossible for a company to achieve on its own. Also, how would pharma companies differentiate themselves?
Stick with the status quo. <i>“Continue to woo physicians with a dedicated sales force.”</i>	Physicians need to be educated about products, especially when new products or indications are launched.	There are better ways to educate physicians. Dropping off samples and repeating the same old talking points doesn’t really tell a physician anything new. Even during a launch, physicians are extremely skeptical because they are never shown the relative merits of the drug... only that it is better than a sugar pill or lasts longer than the old version.
	The current approach has worked well in the past.	Things have changed. Increased competition, payer push-back, regulatory scrutiny, and looming healthcare reform are just some of the forces making traditional sales reps obsolete. Either get out in front or risk being run over.
	Payers are hiring their own representatives to counter the claims of pharma company sales reps. You need to fight back.	The information war between pharma companies and payers creates confusion and is counter-productive for everyone involved.



My take

**W. Scott Evangelista, Principal, Deloitte Consulting LLP, National Marketing and Sales Solution Leader
Deloitte Consulting LLC**

Scott is a Principal in our Life Sciences practice. Scott has more than 20 years of experience consulting exclusively to the life sciences industry and he leads our commercialization practice. Scott focuses on, and has worked with, numerous clients across a broad spectrum of commercial operations, providing strategic consulting, business development support, and management guidance. He has significant experience, knowledge and skills in product development, licensing and M&A; product strategy development; clinical trial planning; and product positioning and commercialization.

Prior to coming to Deloitte, Scott was the Managing Partner at Swiftwater Group, a boutique management consulting firm he founded in 1998. Scott also held positions at Accenture and CSC|Index.

Although pharmaceutical companies don’t necessarily need to blow up their sales forces, in my opinion they have no choice but to fundamentally change how they sell their products. Even if independent representation does not become the industry’s future sales model, pharma companies should take action now to become more customer-centric in the face of diminishing returns on commercial spend. Companies must put their products in a context that makes clinical sense for their customers. This requires a much deeper understanding of customers and the issues they face. Key focus areas to consider:

- Incorporate consideration for commercial implications early in product development. Collaborate early with payers and other key stakeholders to design studies and develop products, and then keep them involved throughout the product lifecycle. Enhance portfolio management to help assess the commercial viability of molecules in the pipeline and go/no-go decisions for moving forward. Focus on differentiated product value beyond safety and efficacy. Increase focus on health outcomes research and comparative effectiveness data to understand clinical differentiators and overall effectiveness. Incorporate focus on economic value and cost-effectiveness.

- Re-allocate resources to put more emphasis on meeting payer needs. Conduct research to gain insight about payers and appropriately segment and target key accounts. Enhance marketing and sales capabilities directed at payers. Improve the account management skills of individuals who interact directly with payers. Increase collaboration and use of payer partnerships to share risk, contain costs and create value.
- Use advanced analytics to optimize investments. Build superior data management and analytical capabilities to improve resource allocation and ROI. These advanced capabilities can be applied in a variety of ways, such as: enabling companies to better understand and optimize their marketing mix; extending physician targeting beyond top decile prescribers by incorporating other factors such as marketing mix, payer position and physician behavioral profiles; and reducing resources allocated to direct-to-physician sales and increasing the focus on non-personal promotion and new channels to boost ROI.
- Develop a more targeted approach to personal promotion. While the traditional product detail is no longer sufficient on its own nor valuable in many cases, it still has a place in the commercial toolkit. Build flexible field forces which can be leveraged across products and are deployed in a much more focused manner, based on physician preferences. These representatives can serve an important role in driving pull-through during specific inflection points in the product lifecycle such as launch and during competitive market events.

The pharma industry's challenges require a detailed understanding of each stakeholder's role and contribution to value. For individual companies, the ultimate goal is to achieve greater support and buy-in for their therapies. By better understanding every stakeholder's unique needs and motivators, a pharma company would be better equipped to improve its internal capabilities – e.g., knowledge, skills, tools – to interact more effectively with each constituent.

Companies should start pursuing these changes sooner, rather than later. With billions of dollars (and a better delivery model for stakeholders) hanging in the balance, they simply can't afford to wait.

A view from the providers perspective

Randolph Gordon, Director, Deloitte Consulting LLC

Dr. Gordon has more than 20 years of experience in health care. His areas of specialization and focus include: clinical transformation, clinical adoption, pay for performance, patient safety, business continuity related to public health disasters such as an influenza pandemic, prevention and life sciences strategy. In his previous role as a Chief Medical Officer of a health care system, he focused on clinical quality improvement related to pay for performance and patient safety initiatives. His responsibilities included strategic planning, advocacy, managed care contracting strategies, physician relations, quality responsibilities of governance, clinical information system selection and improving clinical documentation. As a former Health Commissioner for the Commonwealth of Virginia, Dr. Gordon oversaw the quality and patient safety of the Commonwealth from a regulatory and policy perspective. His consulting clients have included integrated health care delivery networks, hospitals, public health systems and pharmaceutical companies.

Providers tend to view pharmaceutical representatives as a biased source of information. Detailed claims about a product's superiority are seen as an attempt to sound "scientific", but lacking full information or disclosure. That being said, once a product becomes part of a provider's therapeutic portfolio, a sales rep can be a valuable source of information about proper usage, risks and side effects. Pharma companies that cut their sales forces could be at a distinct disadvantage in the marketplace unless every other company does the same.

Rather than eliminating pharma reps, it might make more sense to change their focus. Representatives could shift the conversation from detailing all of the reasons a provider should use their products to giving a provider valuable insight about prescribing protocols, side effect profiles, cost and formulary information.

The task of convincing providers to use a particular product could move upstream in the product development cycle – for example, by making sure a product is unique and included in comparative effectiveness research. Partnerships with academic institutions could help in this regard. Also, pharma companies could get more involved in advancing the science of comparative effectiveness, and develop stronger relationships with centers that perform this research. To keep things coordinated, a federal oversight committee could help set and communicate the agenda and priorities.

Also, pharma companies could work with vendors of clinical information systems and personal health records to help develop appropriate physician order sets and clinical pathways. Order sets and pathways should be standardized based on scientific evidence and leading practices. Inclusion of classes of products – and in some cases, specific products – in these standardized protocols could influence prescribing patterns. Physicians and other clinicians are more likely to order included products because doing so is more convenient and requires less work.

A view from the payers perspective

Dhan Shapurji, Director, Deloitte Consulting LLC

Dhan is a Director in our Life Sciences and Healthcare practice. He specializes in Strategy and Operations and has over twenty years of experience in the health care industry.

Prior to joining Deloitte Consulting LLP, he was the Chief Strategy Officer with Anthem / WellPoint, Inc. His responsibilities at Anthem included strategic and operational planning, as well as formulating key health care policy positions along with leading several key operational initiatives. During his tenure, Anthem grew from a medium sized Midwest plan into the largest health plan in the nation.

Recent representative Deloitte client projects include:

- Worked with several health plans to help them in their efforts to develop future plans and strategies to promote growth, strong product portfolios and improve margins and operational performance.
- Helped two large Midwest provider health care systems in their efforts to develop strategic opportunities and options to enhance future prospects.
- Helped a large pharma company in its efforts to formulate alternative approaches to the “blockbuster” product model.
- Helped a technology company in its efforts to explore options and issues on ways it could expand its footprint further into the health care landscape.

Dhan is the Health Plan Eminence leader for our Life Science & Health Care sector – in this role he leads our health plan research and development of POVs and other thought-leadership materials. He is a frequent speaker and presenter at health care related conferences and forums and has written several papers including: “Health Plans of the Future”, “Health Plans – Game Changers” and “What Payers Want”.

Dhan and his wife Renee have three children and live in Carmel, Indiana.

Payers are important stakeholders and want to be treated as such. In particular, they would like to see improvements in three key areas.

- **Better information.** Payers are looking for information that goes beyond safety and efficacy for new therapies. They want objective research focused on health outcomes. Pharma companies need to substantiate their products’ value by providing payers with better information that can be used for health economic analysis, enabling payers to make better decisions regarding reimbursement and coverage.
- **Exceptional service.** Payers want customer-centric relationships and value-added service tailored to their unique needs. Pharma companies can tackle this challenge by providing payers with an enhanced customer experience similar to the comprehensive “high touch” approaches used to serve physicians and patients.
- **Advanced contracting.** Payers seek contracts that enable shared responsibility for administering and providing cost-effective health care, including education, compliance and other industry challenges. Pay-for-performance arrangements and support-of-treatment compliance can enable payers to better control the total cost of successfully treating patients.

A view from the business analytics perspective

Patrick Homer, Life Sciences Practice Principal, SAS Institute

For now, blowing up the sales force may be too extreme and high risk. But so is staying with the status quo. The pharma industry must work towards a middle ground that nevertheless represents a step change in how pharma companies sell and market products.

Historically, the pharmaceutical industry has been rich in data but short on insight. While blockbuster products generated impressive revenues, inefficiencies were lurking that the industry learned to live with. Success was based on hammering away with the traditional sales rep model. But the marketplace is changing and is not universal; it varies state by state, region by region, provider by provider, patient by patient, and payer by payer.

While we are waiting for a new commercial model to emerge – and in some cases helping it emerge – companies need to significantly improve their analytics capabilities. To increase the efficiency of their commercial spend, companies must understand the performance of their marketing channels with far greater granularity and insight, and then determine how each channel can contribute to sales growth and improved results.

Other industries such as finance, retail and telecom have made these investments and are reaping the benefits. In the pharmaceutical industry, forward-thinking companies are starting to experiment with the technology at a tactical level, but this tactical experimentation is not enough.

For more information, please visit: www.deloitte.com/us/debates/newcommercialmodel.

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