



Commercial Operations in Life Sciences

Driving simplification, efficiency,
and excellence across Commercial Operations

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Commercial Operations in Life Sciences

A paradigm shift in Commercial Operations

In the past few years, new models of customer engagement and operations have been established in parallel to traditional methods of execution. Enabled by nimble commercial operating models, new digital strategies are being developed for improving customer insights through digital engagement, increasing operational efficiencies through new digital end-to-end processes, and delivering better marketing through actionable, data-driven insights.

Furthermore, the nascent digital transformation of Commercial Operations has boosted these new models to maximise revenue potential, become more cost-effective and provide a better customer experience.

This digital boost has been further accelerated by the COVID-19 pandemic, highlighting a significant shift in how Life Sciences organisations engage with their customers (health care professionals and patients), with implications on the corresponding go-to-market model and the set of capabilities required to enable this shift.

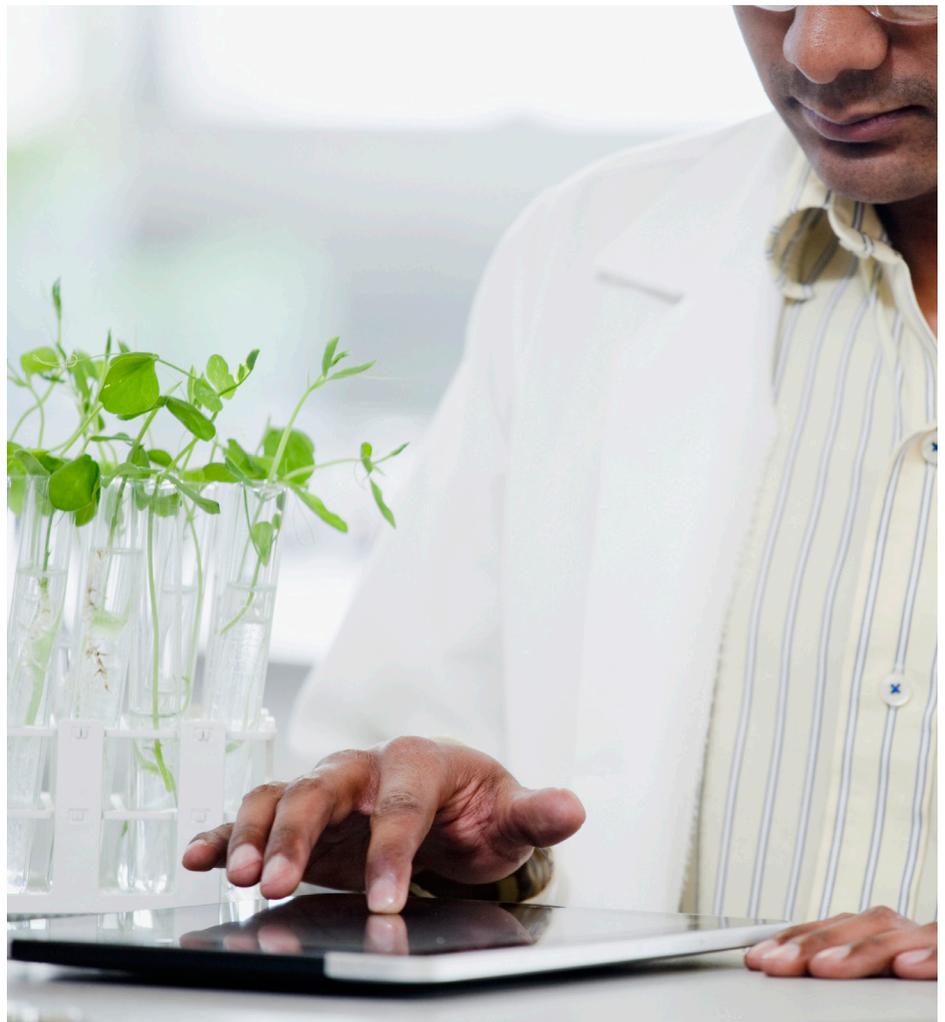
In the wake of this, digital transformation has transitioned from a “nice-to-have” enabler to a “must-have” capability to survive in the market going forward. As such, COVID-19 has become an opportunity for Life Sciences organisations to change organisational mindsets and kick start a digital transformation that will help their business thrive after the pandemic. It is in this context that we at Deloitte believe it is critical to evaluate the setup and efficiency of the Commercial Operations of the future, while also elevating the customer experience to cater for the human connection that will continue to be valued. Operationally, this includes building the capabilities required

to establish an automated, centralised and customer-focused platform to deliver on the target financial and qualitative benefits.

This point of view consolidates Deloitte’s perspective on today’s possibilities to achieve efficiency, customer centricity and service innovation which constitute what we term as ‘Commercial Excellence’ across the end-to-end Commercial Operations. In so doing, Life Sciences companies are able to successfully achieve their growth ambitions and create value for both their customer and their organisation.

“Digital transformation has transitioned from a “nice-to-have” enabler to a “must-have” capability to survive in the market going forward.”

CDO
Big Pharma



We have observed that Commercial Operations are particularly challenging as they are usually characterised by a siloed process, inadequacy or lack of data and supported by a multitude of underlying systems.

While exploring new ways to achieve Commercial Excellence across the value chain, we have created a framework that encompasses four core steps of the end-to-end Commercial Operations process in an integrated manner (see Figure 1).

These steps include:

- Marketing
- Selling
- Order Management
- Fulfilling

In addition, we have included a closer look on tools and enablers supporting the commercial processes.



Figure 1. Key activities in Commercial Operations process

Intervening at each of these four steps of the Commercial Operations process can unlock substantial benefits across the value chain in terms of both revenue

uplift and cost reduction, as well as overall customer experience. We will now explore each of the four steps in further detail, including the customer value delivered,

and a quantified range of expected financial benefits.



Process Step	Value Sources	Range of Benefits
 Marketing	<ul style="list-style-type: none"> • Drive targeted customer reach with both precision and scale • Drive high value engagement through personalised messaging • Be agile and responsive through integrated data and business rules • Optimise technology and brand support while integrating channels 	<ul style="list-style-type: none"> • 10-30% increase in revenue • 20-30% decrease in costs

Marketing

Within Marketing, Life Sciences companies aim to understand markets, customers, and capabilities, to develop and execute sensible marketing plans that turn potential customers into leads and business opportunities.

However, recent trends in patient centricity and consumer behavioural changes, combined with a surge in availability of real-time data and increasing challenges with successful drug launches, have made Commercial Operations at the intersection of marketing, market access, regulatory and compliance, increasingly complex.

This has led Life Sciences companies to focus marketing activities based on the needs of each stakeholder, mostly health care professionals (HCPs) and patients, but also payers and policymakers. According to Deloitte's 2021 global marketing trendsⁱ, striving for efficiency alone is proving insufficient to build long lasting business connections at a time when technology has become the primary conduit to human connection. Instead, organisations should view themselves as human entities that mirror – and support – the values of those they wish to connect with. Essentially, organisations should elevate their “human experience”, by better balancing human needs with speed-to-market and efficiency objectives.

We have seen over the past months, how the disruption caused by COVID-19 has led commercial teams to redirect their attention to new questions in line with the pursuit of the valued “human experience”,

including how to address HCP and patient needs in an effective way and through different channels. Also being addressed is how to drive successful launches leveraging best in class digital technologies, how to bring patient engagement to the next level, and how to acquire and retain as many satisfied customers as possible.

To help answer these questions, we propose a series of solutions that would help organisations respond to these after challenges.

- **Omnichannel commercial campaigns:** As Life Sciences players embrace the principles of patient centricity, an effective marketing approach requires companies to evidence a deep understanding of the patients’ condition, of what is valued by patients and HCPs, and of what will likely result in a positive health outcome. This insight can be drawn and built upon through Omnichannel commercial campaigns that foster long-term relationships with HCPs and patients, as well as other important stakeholders (e.g. payers, Key Opinion Leaders, policymakers) and are supported by effective cross-functional integration of marketing with other commercial functions (i.e. sales, medical affairs, market access and customer service). Marketing functions should consider the two-way communication with the customer, outbound through sales and marketing and inbound through customer support. These two communication flows must be looked at holistically, with a single view of the customer and

a standardised tone of voice across all channels. Additionally, harnessing the power of AI allows companies to predict behaviour and provide recommendations to marketers on next best actions, channel strategy and personalised and targeted messaging.

- **Patient engagement and services:** As digital transformation continues to disrupt traditional service models, it is becoming even more crucial to build a deeper understanding of patients’ needs and make strategic choices that deliver experiences and services that maximise product and patient health benefits. Today, creating differentiated value-based patient solutions goes beyond merely demonstrating product efficacy and safety. It may include a suite of services along the entire patient journey to support treatment adherence, disease management, diagnosis and/or lifestyle. It may also include convenient forms of administration, access to educational materials or a 24/7 nurse telephone hotline.ⁱⁱ
- **Identification and lead conversion:** Consumer behaviour is shifting towards technology, information empowerment and direct engagement with companies, which in turn provide an opportunity for Life Sciences players to improve the quality of customer experience and minimise cost to acquire and retain as many customers as possible. Marketing will need to utilise customer digital engagement channels to inform and execute “growth- hacking” strategies.

Process Step	Value Sources	Range of Benefits
 <p data-bbox="221 465 300 492">Selling</p>	<ul style="list-style-type: none"> • Sales efficiency and effectiveness measures (e.g. data driven customer segmentation, optimised field force deployment, etc.) 	<ul style="list-style-type: none"> • Up to 30% reduction in operating costs with average benefits of 3-8% EBIT margin

Selling

During the Selling step of the Commercial Operations process, Life Sciences companies develop plans to target their accounts and customer segments, manage leads and opportunities, and enable selling through their field salesforce, aided by Medical Science liaisons as appropriate.

While digital channels were becoming more prevalent before the COVID-19 pandemic, social-distancing measures introduced to mitigate the spread of the infection removed most opportunities for sales representatives to engage buyers face-to-face.ⁱⁱⁱ According to a recent report aimed at understanding the impact of the pandemic based on interviews with commercial leaders at Life Sciences companies^{iv}, every interviewee confirmed that COVID-19 has significantly reduced these in-person channels and forced a dramatic shift in how Life Sciences field sales reps work.

Considerations in digital engagement approaches will be key as Life Sciences companies look at ways to enable salesforce effectiveness programmes that are suited for the post-pandemic world, while not impeding the “human experience” which as we mentioned earlier is highly valued by the customer.

In this context, we propose three effective approaches to drive superior commercial performance:

- **Commercial analytics:** In a recent report, we highlighted how traditional strategies like product leadership and superior cost efficiency are no longer enough to achieve Commercial Excellence. The new generation

of competitive advantage is about commercial execution: ultra-fast decision-making based on automated analytics; growth driven by micro-segmentation and highly customised offerings; as well as innovative services delivered by an ecosystem of connected assets and platforms.^v

- **Indirect and direct sales:** Classical selling still exists, but it is being combined with digital and data-driven approaches. We distinguish between indirect selling (i.e. through sales reps interacting with HCPs) as the primary model used by pharmaceutical companies for prescription and specialty drugs, and direct selling as the model used by key generic and medical devices players (i.e. through sales reps and customer service interacting with hospitals, pharmacies, wholesalers, etc.). To achieve sales excellence, organisations must understand the personas they are selling to for each type of customer. As each model comes with its own set of challenges and business opportunities, we recommend a series of measures to help both indirect and direct sales organisations effectively achieve commercial excellence:
 - Implement digital engagement platforms
 - Use of data-driven sales analytics and insights
 - Omnichannel strategy enablement

- **Cost-to-serve analyses:** As Life Sciences organisations witness increasing complexity in their market, with launch prices and margins being squeezed and investors challenging resource allocation, achieving an understanding

of the operating margin contribution of individual divisions, brands, customer groups and/or channels becomes paramount.

Process Step	Value Sources	Range of Benefits
 Order Management	<ul style="list-style-type: none"> • Reduce customer order cycle time through well maintained master data • Improve order entry efficiency by reducing human translation errors • Increase customer credit management efficiency through automation • Optimise customer service by providing agents with real time customer information to better handle requests 	<ul style="list-style-type: none"> • 5-15% reduction in sales order cycle time • 10-20% reduction in time spent entering an order • 5-8% reduction in days sales outstanding • 5-10% reduction in operating costs of customer service centre

Order Management

The Order Management step of the Commercial Operations process includes commercial master data and contract terms & conditions, price/discount applications to quotes and bids, and managing interactions with customers through customer care.

Common pain points experienced by Life Sciences organisations here include:

- Quote and order to delivery lead times taking longer due to the lack of a single source of truth of commercial data, including limited customer insights and unclear E2E order management process.
- Large amount of manual process steps including configuration and rework activities due to system limitations and lack of automated business rules.
- Limited flexibility of an existing pricing engine to allow for dynamic and customer-specific pricing, unable to provide clear visibility into the gross-to-net pricing structure leading to value and revenue leakage.
- Incomplete order information and master data inconsistencies causing errors and bottlenecks later in the process, increasing the amount of times orders need to be manually handled by customer service or finance teams.
- Lack of a standardised end-to-end order to cash process with no clear customer segmentation.

- Fragmented systems landscape with no omnichannel perspective or single view of the customer, limiting customer centricity and user experience.
- Inefficient complaint handling processes, coupled with increasing scrutiny from regulators and a lack of feedback loops to other functions, leading to frustrated customers, risk of non-compliance and a wasted opportunity to take action on direct customer feedback and to convert a disappointed customer into an advocate.

We have identified the most critical areas to optimise order management within the Commercial Operations process:

- **Process improvement and mining:** As the Order Management process step encompasses many functions, teams and systems throughout the organisation, we suggest a process mining approach to increase transparency across the end-to-end process, identify bottlenecks that increase lead time significantly or breach compliance guidelines, improve oversight and ultimately drive continuous improvement and efficiency.
- **Enabling touchless ordering:** Minimise manual intervention throughout the Order Management process step by leveraging automation to reduce the volume of errors and improve order lead time.

- **Customer service:**
 - Provide a high standard of customer service during Order Management based on a single view of the customer, across order tracking, automated confirmation, query management and swift invoicing to ensure customer loyalty and build trust.
 - Design an exemplary complaints handling model built on a desired customer journey (rather than around existing business processes), provide excellent customer service at the point of complaint to strengthen the customer relationship during this key moment that matters. Harness the strength of true customer feedback that complaints provide, by creating feedback loops to other functions to detect and tackle root causes, ultimately improving product quality, brand perception, customer experience and regulatory compliance.
- **Pricing profitability management/ International reference pricing:** Effective implementation of pricing and promotions as part of Order Management, while ensuring compliance with cross-country price controls through International Reference Pricing (IRP).

Process Step	Value Sources	Range of Benefits
 <p>Fulfilling</p>	<ul style="list-style-type: none"> Reduce days sales outstanding by managing receivables and realising cash as soon as possible 	<ul style="list-style-type: none"> 10-20% lower working capital requirements and improved cash flow position

Fulfilling

The Fulfilling step of the Commercial Operations process comprises activities such as managing invoices and collections, enabling rebates and deductions, as well as dealing with the broader health care delivery landscape.

From our experience, companies encounter the following challenges during this step:

- Limited visibility into completed payments, and a painful process associated with reconciliation of refunds and credits to B2C and rebates to B2B customers.
- Heterogeneous Enterprise Resource Management (ERP) systems and data scattered over many legacy systems, with significant complexity in reporting due to lack of a single view of the data for effective and efficient decision making.
- Customers being given payment deductions/rebates even when not

paying within terms, with collection representatives waiting until payments are several days past due date to begin contacting customers thereby increasing days sales outstanding (DSO).

- Multitude of distributors and health care delivery partners, making the resulting ecosystem difficult for Life Sciences companies to manage.

We recommend focusing on the following key areas when optimizing this step of the Commercial Operations process:

- Finance and cash collection:** There is a significant risk for companies to incur lost payments due to lack of planning, poor processes, and limited enforcement of accounts receivable policies. We recommend optimising key activities within the accounts receivable function (i.e. customer credit limits and approval workflow, customer master data, invoicing/billing, cash application process, reporting, predictive and preventative

cash collection) in order to strengthen the working capital positions of Life Sciences companies.

- Ecosystem:** As patients are no longer passive participants in their health care, they increasingly demand transparency, convenience, access and personalised products and services. Life Sciences companies that create digital health care ecosystems can improve patient outcomes through the adoption of digital tools and solutions that increase value for HCPs and patients while reducing overall health care costs.
- Care model innovation/Virtual care delivery:** Virtual health is becoming a standard in care delivery. A virtual health strategy will help drive home care solutions to address limited capacity in outpatient clinics and hospitals, allowing for future scalability and the opportunity to sustainably solve for affordability, access, quality, and efficiency challenges.



Achieving superior commercial benefits through Commercial Operations optimisation

Optimising the Commercial Operations process requires a dedicated and systematic approach to unlock its full value.

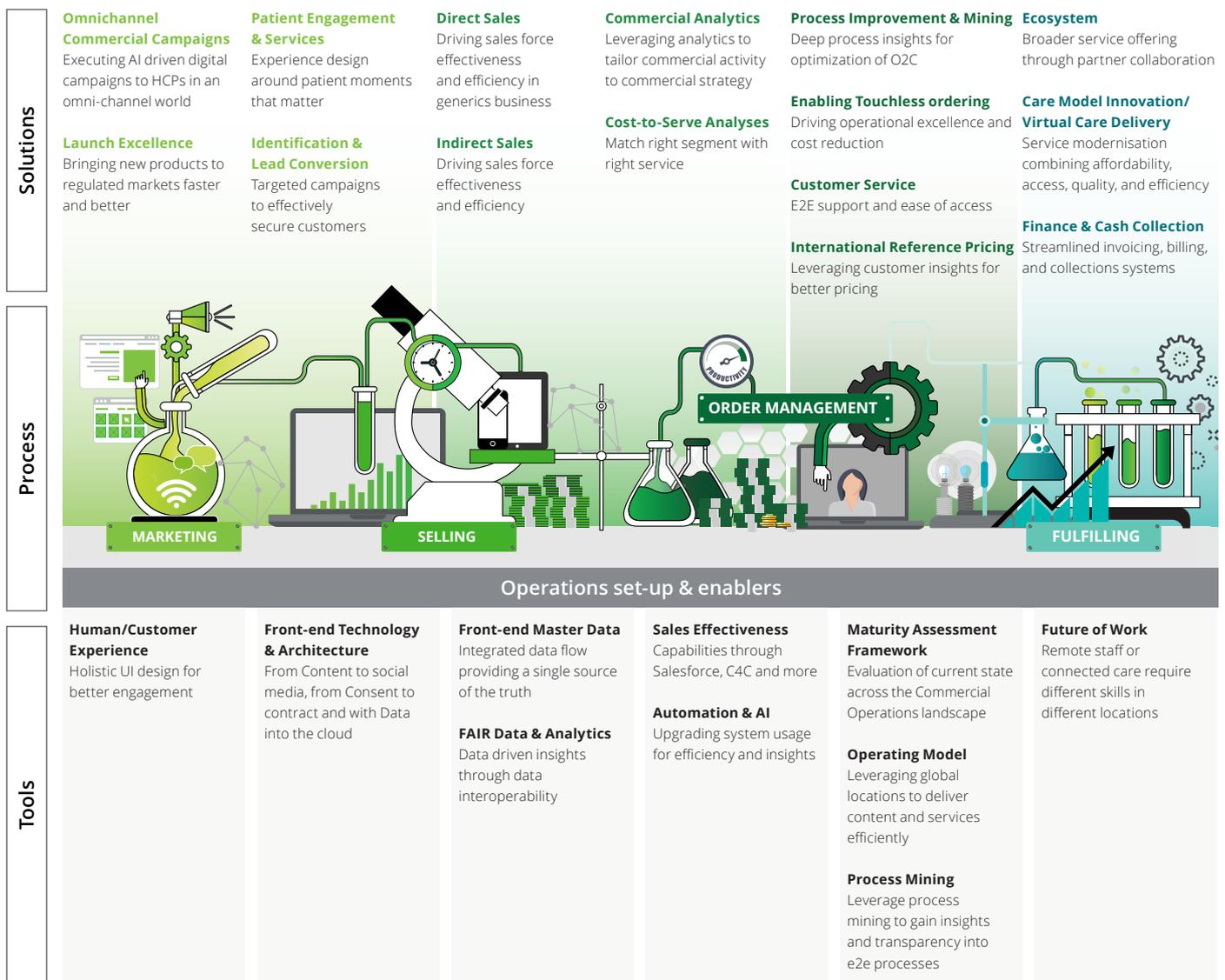
We believe that enabling Commercial Excellence through the implementation of even just some of the levers we identified along the Commercial Operations process can unlock significant value.^{iv}

- Sales and marketing efficiency and effectiveness measures can reduce operating cost by up to 30%, with average benefits amounting to 3-8% EBIT margin improvement.
- Achieving customer centricity (e.g. through better patient engagement and services, enablement of commercial analytics, or ecosystem partnerships) increases brand advocacy, leads to higher customer spend, longer tenure and reduces cost-to-serve by up to 35% while

increasing revenue growth by 5-15% points on average.

- An innovative service model allows the transformation of businesses in orchestrating a dynamic ecosystem of offers, with successful companies seeing their valuation move into a higher P/E bracket, typically 2-3x the value of pure product manufacturers.

Commercial Operations in Life Sciences Optimising how to serve the market in Life Science



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Contacts



Robert Hankey
Partner

1 New Street Square
London, EC4A 3HQ, United Kingdom

+44 20 7007 0274
rhankey@deloitte.co.uk



Gabriele Vanoli
Partner

Meret Oppenheim-Platz 1
4053 Basel, Switzerland

+41 58 279 9161
gvanoli@deloitte.ch



Steven Marshall
Director

Pfingstweidstrasse 11
8005 Zurich, Switzerland

+41 58 279 7620
smarshall@deloitte.ch



Wolfram von Ehren
Director

Pfingstweidstrasse 11
8005 Zurich, Switzerland

+41 58 279 6821
wvonehren@deloitte.ch

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