

Digital Pharma

————— What Impact on the Business Organization?



About Kurt Salmon

Kurt Salmon ✨

Kurt Salmon is a management consultancy focused on business transformation. Our 1,400 consultants advise companies' top management on projects that have a tangible impact on the success of their businesses and, in particular, their transformation projects. We help top management teams explore new directions. Our consulting teams work closely with company leaders to understand where their market is heading and to help them identify future trends and key drivers in their business sector.

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Kurt Salmon's Pharma practice, in brief

- ▶ More than 50 dedicated consultants
- ▶ Client project work includes some of the world's biggest pharmaceutical companies
- ▶ Proven experience in strategic, operational and industrial fields

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Abstract

This document presents the results of our survey “Digital Pharma: What Impact on the Business Organization?” The survey involved more than 40 pharmaceutical companies and 500 senior pharma executives in the European G5 countries.

Kurt Salmon believes that digital capabilities are not only critical to pharmaceutical companies’ ability to improve the way they roll out new products, but to increasing the pharmaceutical industry’s contribution to health care by enabling it to provide innovative services to improve patients’ outcomes.

In order to increase the perceived value of pharma within the health care system, the industry is striving to respond to the needs of all stakeholders: health care professionals, patients and payors. In the meantime, the culture of pharmaceutical companies is shifting from one of separate departments working vertically to one that is cross-functional. As they seek to boost their performance even further, companies have been applying digital capabilities to some of the industry’s more traditional projects in order to create synergies across departments.

The aim of this survey was to assess the impact of digital technology on pharmaceutical companies and, in particular, to highlight the potential synergies such capabilities can create within individual organizations

In the “Digital Pharma opportunities” section, we present our vision on the industry’s current digital capabilities and to what extent they help it respond to customers’ increasing needs. We then look at some of the biggest challenges faced by pharmaceutical companies making the transformation to digital. We present as well an overview of the impact digital has on the pharmaceutical

value chain, from drug discovery to sales. We then delve into the findings of the Digital Pharma survey itself:

- “Digital’s increasing impact on pharma communications” details the expectations of pharmaceutical executives on the evolving trends in digital communication as they relate to all health care stakeholders.
- “A lack of organizational structure to support a digital strategy” and “Digital roadblocks: traditional communication strategies and restrictive regulations” look at the implementation of digital strategies in pharmaceutical companies and the main obstacles to implementation that currently exist, respectively.
- “The end of marketing exclusivity” presents the digital trends that are not only impacting marketing and sales, but also the medical, regulatory and market access functions.
- “Digital CRM: room for improvement” offers up survey participants’ views on the customer relationship management systems being used in their organizations.

In the final section, we provide a roadmap for a successful pharmaceutical digital strategy.

Survey methodology

Digital Pharma: What Impact on the Business Organization?

- Kurt Salmon conducted a survey involving more than 40 pharmaceutical companies and 500 senior executives working in the following functions:
 - Marketing/Sales
 - Market access
 - Regulatory
 - Medical
- The majority of participants have either global or regional positions and are based in the G5 European countries
- The survey was conducted via an online questionnaire (from May through September 2013) and includes interviews with key stakeholders working in global digital strategy

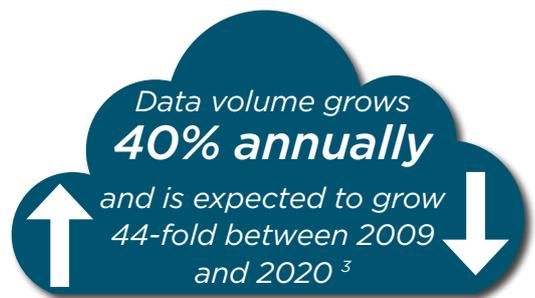
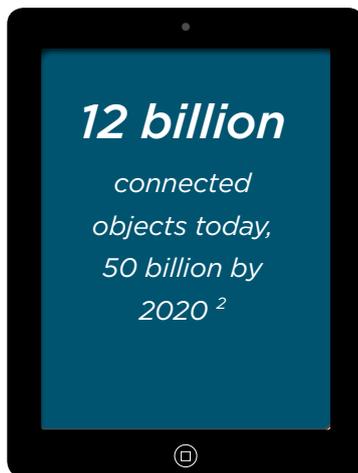


Executive summary

- 88% of survey respondents expect digital communication with specialists to increase. GPs come in at second place (83%), followed by pharmacists (78%)
- 63% believe that having a well-defined digital strategy within their organization is important. But just 29% of them think that they have the right team in place to execute it
- A combination of legacy communication strategies and culture is considered by 68% of participants as the main obstacle to the implementation of digital capabilities
- Digital's impact on most functions is viewed as moderate, with marketing and sales seeing the most impact:
 - Digital marketing investments: 94% of participants expect an increase in investments in e-promotional materials (trigger-based marketing), followed by investments in smartphone applications (88%)
 - Digital market access investments: 61% expect investments in key account management solutions to increase the most
 - Digital regulatory affairs investment: just half of survey participants expect investments to increase; the other half does not
 - Medical scientific liaison e-communication using digital tablets appears to be the digital investment that will increase the most within the medical department (82%)
- 68% of survey participants believe they have a well-defined CRM strategy within their organization. Nevertheless, their CRM solutions do not adequately address the challenges associated with Digital Pharma, as just 32% of participants think they possess the appropriate digital capabilities
- 80% of participants are considering an increase in future digital CRM investments
- The main obstacles to implementing digital CRM programs appear to be a lack of time and resources (38%) and lack of visibility into the investments needed (36%)

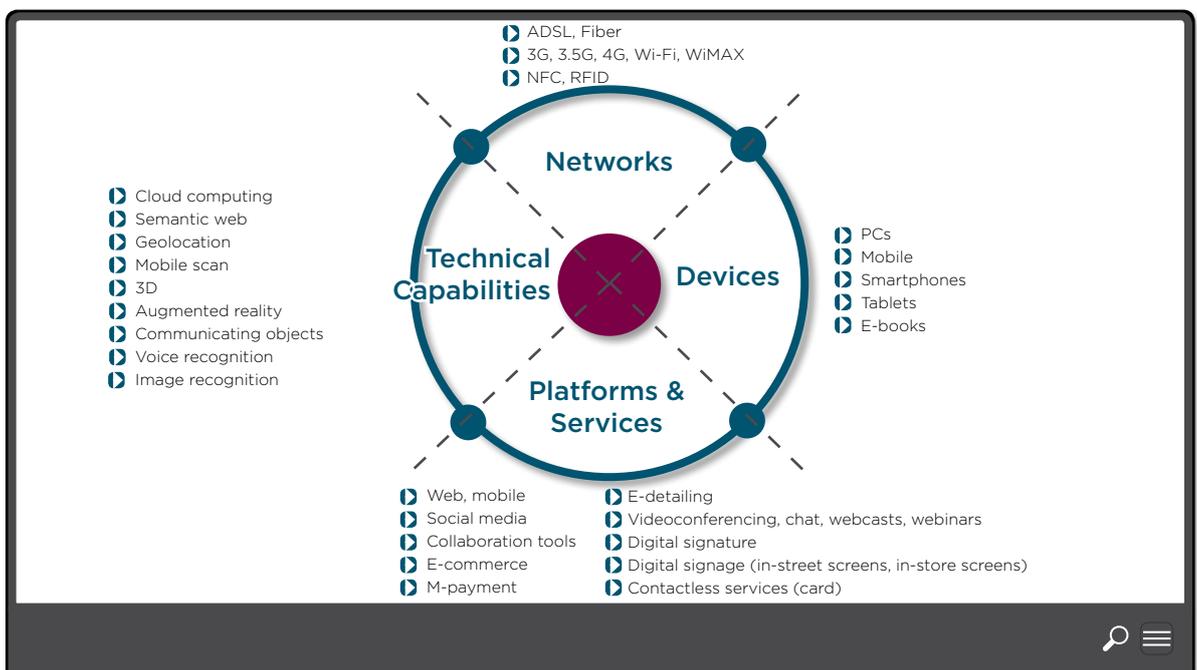
Digital Pharma: key numbers

Depending on one's background, the word "digital" can evoke different meanings. Indeed, "digital" covers a wide set of technologies and capabilities



Implementing digital capabilities raises a number of questions for companies. Among them are:

- To what degree must digital and traditional business divisions be separate or integrated?
- What's the best way to implement the expertise required to run a digitally enabled business (for example, centralize it or spread it across locations and divisions)?
- What skills/job titles are required to properly run a digitally enabled business (CIO? Community managers?)
- Is it better to hire people with those skills or to outsource?
- What's the mindset required to succeed in a digitally enabled business? What's the best way to get people to be not only proficient with digital capabilities, but comfortable with them?

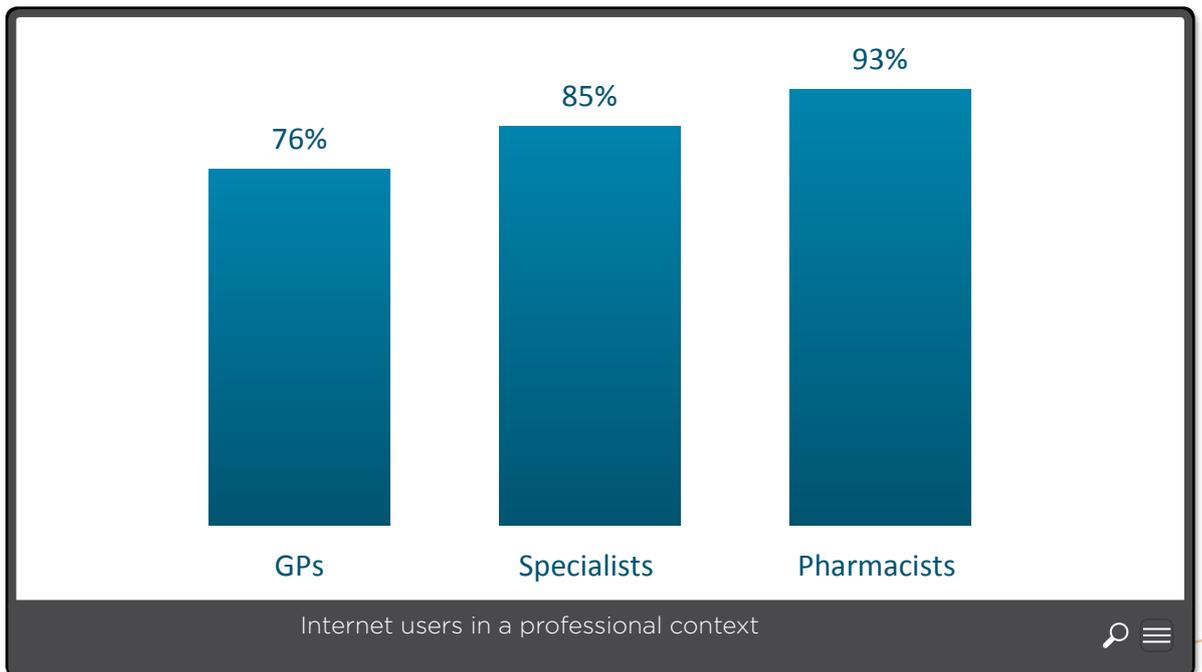


¹ Ericsson-February 2013 - ² Ericsson-February 2011 - ³ McKinsey Global Institute

Digital Pharma: A new culture

The pharmaceutical industry has started to embrace a digital culture

- Health is at the heart of Web 2.0:
 - 76% of GPs and 85% of specialists were using the Internet in a professional context in 2011
 - 93% of pharmacists are regular users
 - Health is the most common topic of conversation on the Internet (20% to 25% of Internet-based conversations around the world are related to health and medicine)
- Digital Pharma is powered by the following digital platforms:
 - Collaboration platforms (such as Google Docs) and social media
 - Smartphone applications
 - Web
 - E-detailing
 - Videoconferencing, webcasts and webinars



Health care professionals are increasingly using digital capabilities to get access to medical information, as well as to interact with their peers and with their patients. Furthermore, some health care professionals have started to recommend smartphone applications to patients.

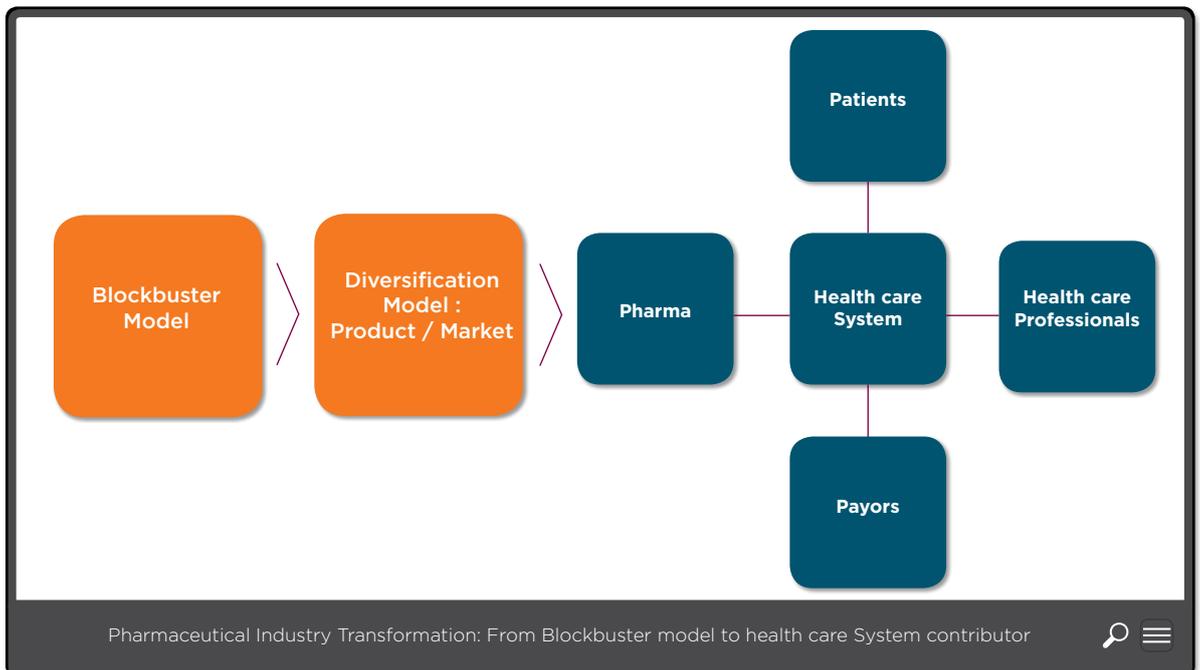
And as the use of smartphones becomes more widespread, both health care professionals and patients are increasingly demanding access to information that they can share on social media platforms.

Evolving business models

The pharmaceutical industry has been striving to transform its model from that of drug manufacturer to health care service provider

Pharma is striving to respond to consumers' increasing needs while at the same time addressing regulatory constraints:

- Patients are asking for high-quality information and are actively sharing information and expressing their needs through community platforms
- Health care professionals are increasingly taking a personalized treatment approach. They are also monitoring their patients' conditions remotely through technologies such as telemedicine and are demanding more services to ensure the quality of patient care
- Health care authorities are asking for evidence that a medicine not only provides therapeutic value, but that it has a positive social and economic impact and that it adds to the quality of health care overall

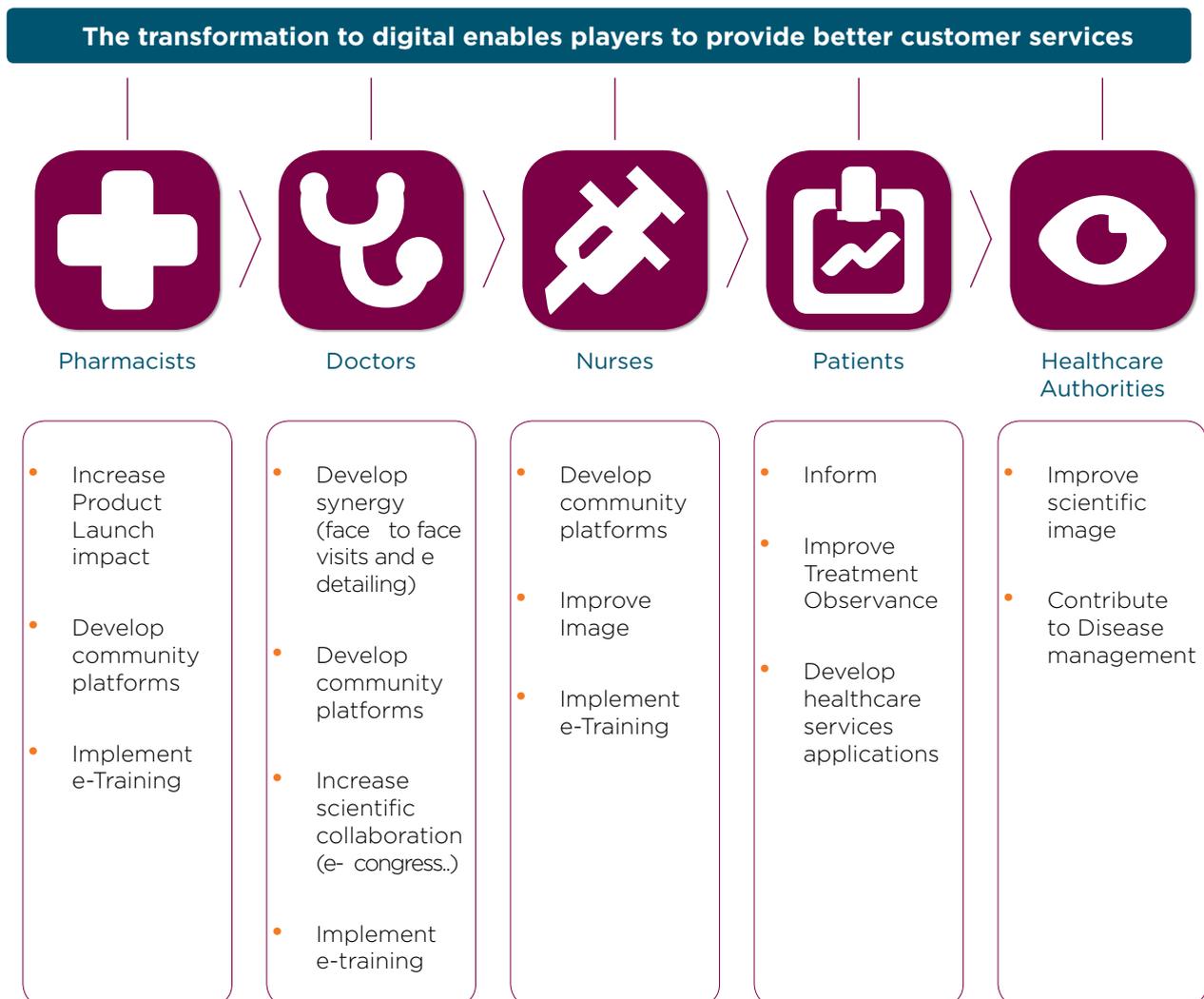


A scarcity of drug innovations means the blockbuster era is over. In its place, the pharma industry has become focused on niche product development and customized treatments. In the meantime, with health care stakeholders setting their sights on patient outcomes, the pharmaceutical industry is

striving to position itself as a health care provider, not just a drug manufacturer. In particular, it's aiming to strengthen an image of transparency and of caring for patients, especially in the wake of recent drug scandals such as Mediator®.

Digital Pharma & customer service

Digital Pharma helps improve customer service and consequently strengthens brand image

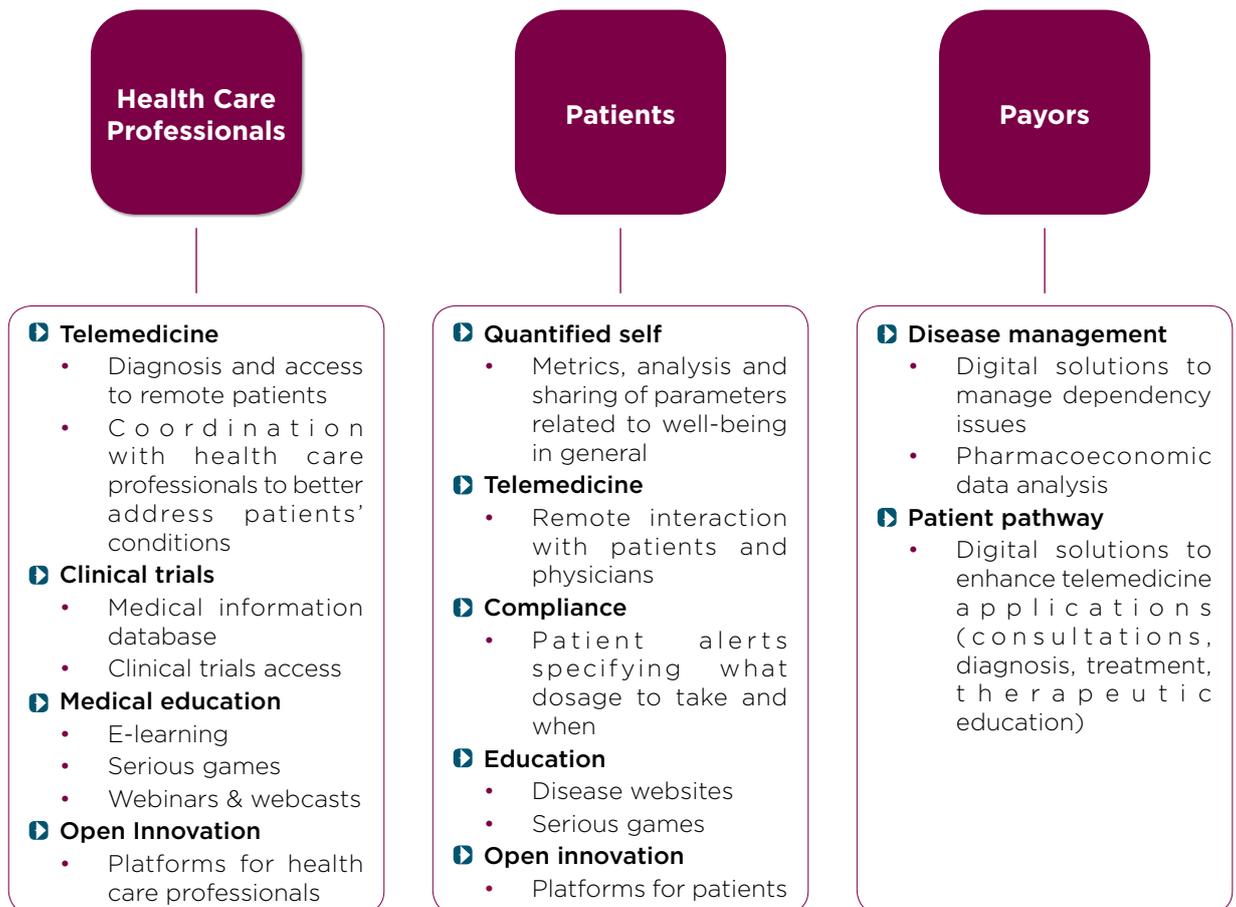


There are now more health care players involved in patient pathways than ever before. In addition to medical doctors, pharmacists and nurses increasingly play a role in patients' care and therapeutic education. On the other hand, health care authorities are increasingly focusing on disease management and cutting

unnecessary costs. The transformation to digital enables the pharmaceutical industry to better manage relationships with its customers by providing new, innovative services to facilitate the coordination among all health care stakeholders to improve patient outcomes.

Digital Pharma opportunities

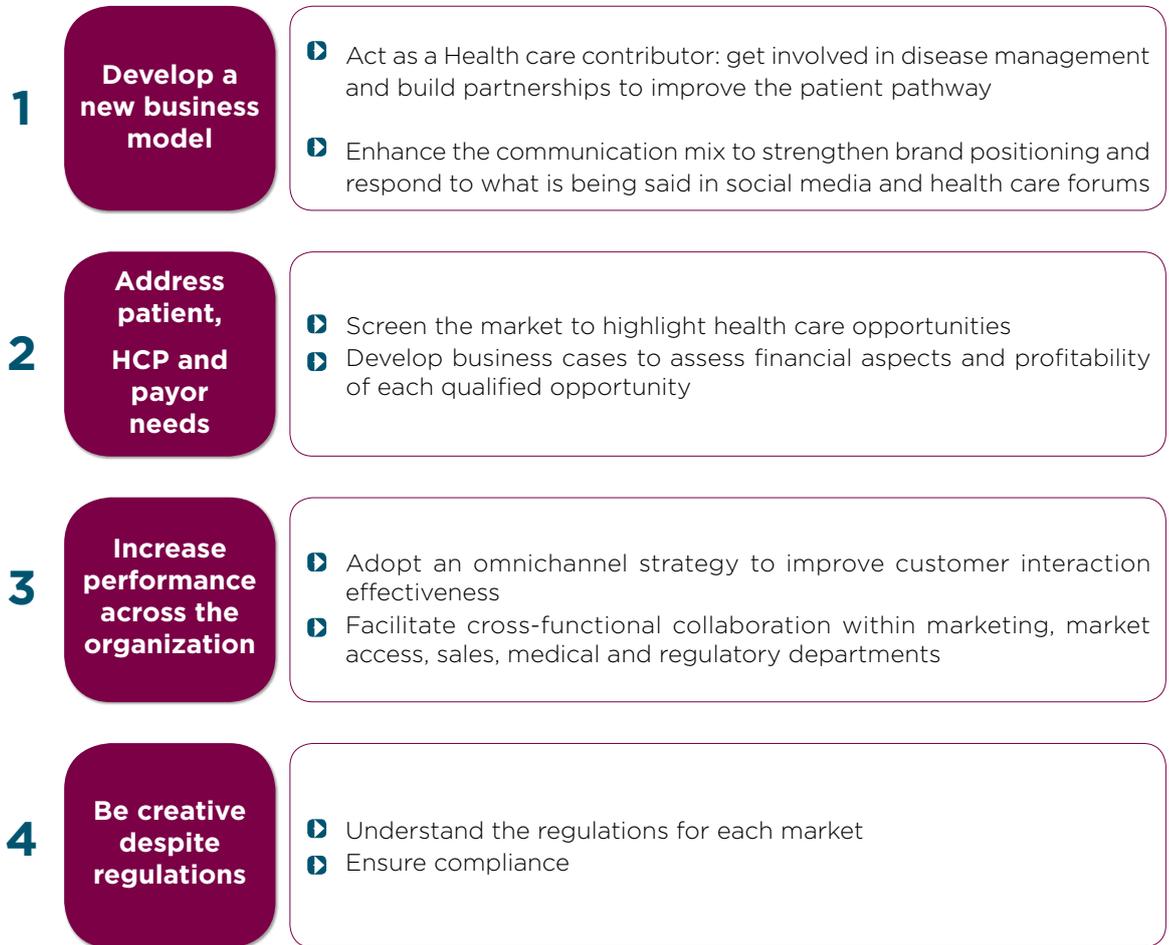
Digital capabilities allow pharmaceutical companies to provide innovative services for health care system contributors



Many innovative health care services would not exist without digital technology. Among them are telemedicine, quantified self, remote medical education and community platforms for health care professionals and patients. The pharmaceutical industry, as part of an effort to contribute to improving disease management and the overall patient pathway, can invest in these innovations. However, it still needs to define the right business model for such investments in each market, as

medical coverage differs from one country to another. For instance, in the United States, medical coverage is almost entirely provided by private insurance companies, whereas in France it's subsidized by the national government, so it is practically free to patients. Thus, the approach of the various stakeholders toward e-health services is different depending on the country's health care system.

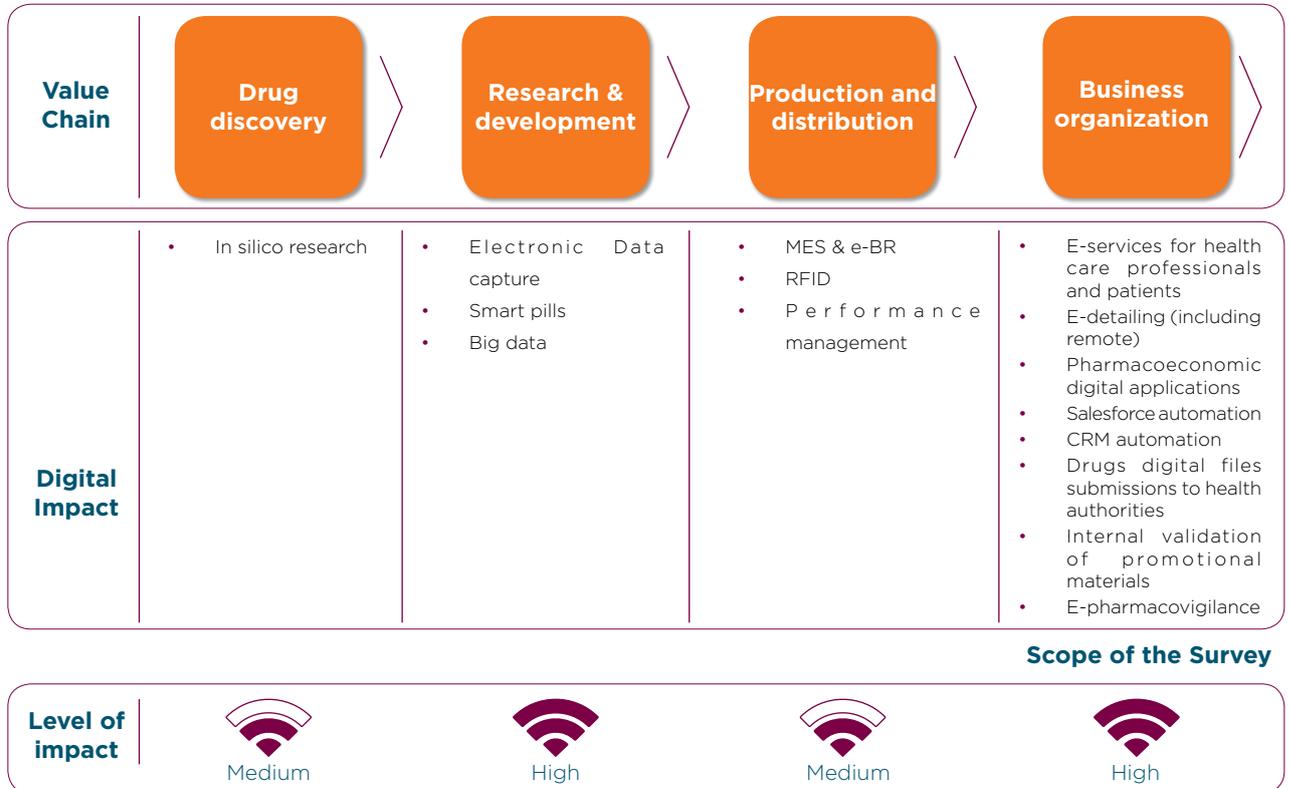
Digital Pharma challenges



For pharmaceutical companies making the transformation to digital, there are numerous issues to consider:

- What business model should be put into place when leveraging innovative digital services? Should a separate entity be created?
- What are the different health care professionals' and patients' needs? What are the real opportunities? What is the ROI?
- How can digital be used to improve performance across the organization?
- What are the regulations that need to be adhered to?
- To what extent can the pharmaceutical industry be innovative?

Digital Pharma's impact on the value chain

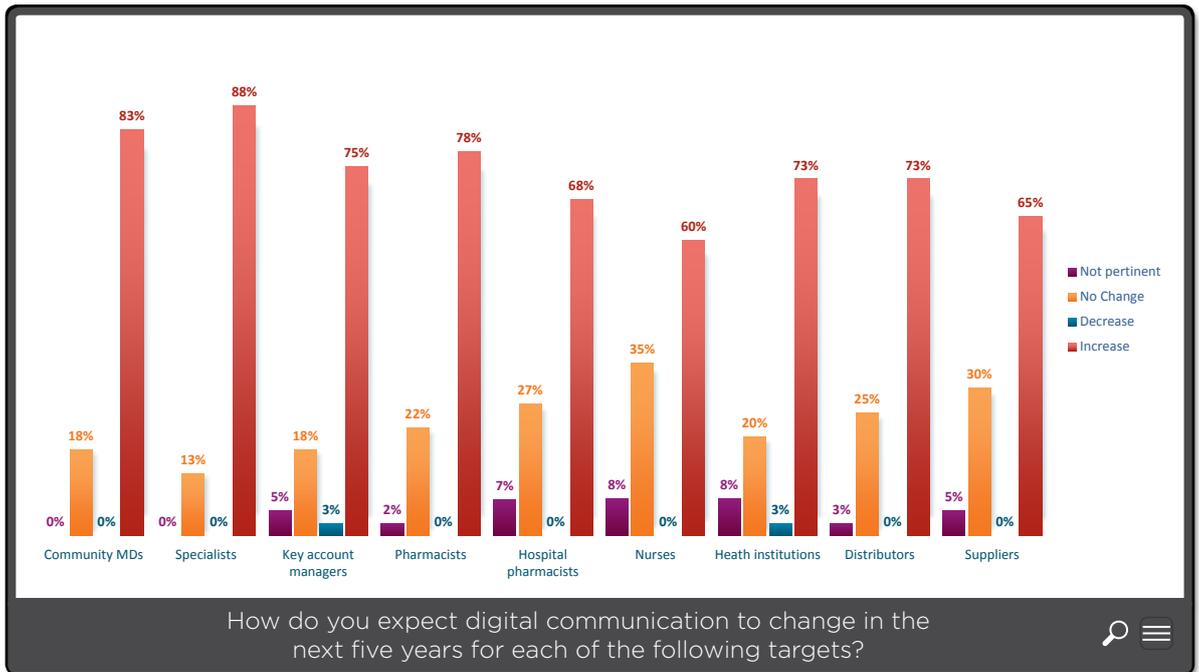


The impact of digital is different across the value chain. Digital is seen as having a moderate impact on the drug discovery process, as well as on production and distribution. However, when it comes to research and development, the

impact is high, largely due to smart pills and the use of big data. The digital impact on the commercialization phase is also perceived to be high.

Digital's increasing impact on pharma communications

Digital is expected to be increasingly used by pharmaceutical companies in their communication with health care stakeholders, especially physicians



Health care professionals are becoming more and more connected and more receptive to using digital communication

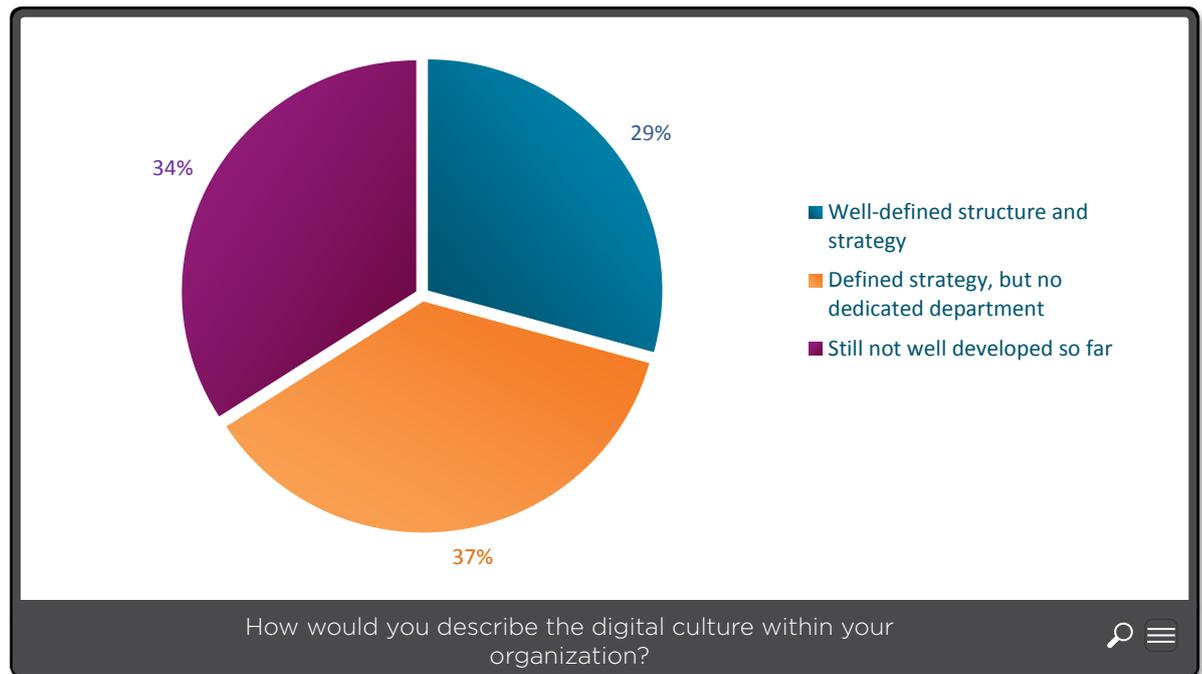
In France the 2013 Vidal Barometer Study showed that:

- 60% of doctors have tablets
- 56% of them use medical applications
- 20% use social media in a professional way

As digital capabilities become necessary for addressing patient needs, pharmaceutical companies must be prepared for major changes to their organizations

A lack of organizational structure to support a digital strategy

63% believe that having a well-defined digital strategy within their organization is important, but just 29% think that they have the right team in place to execute it



Currently, pharma organizations have one of three models

- Model 1: A department dedicated to ensuring digital capabilities throughout the business
- Model 2: Digital functions integrated within business units
- Model 3: No separate digital functions (product managers also oversee e-marketing strategy)

An organization that is dedicated to being digitally capable takes a cross-functional approach on projects, and enables the creation and implementation of synergies and best practices across the organization

Thinking globally and cross-functionally requires putting into place a dedicated structure within the organization that supports the implementation of a digital strategy

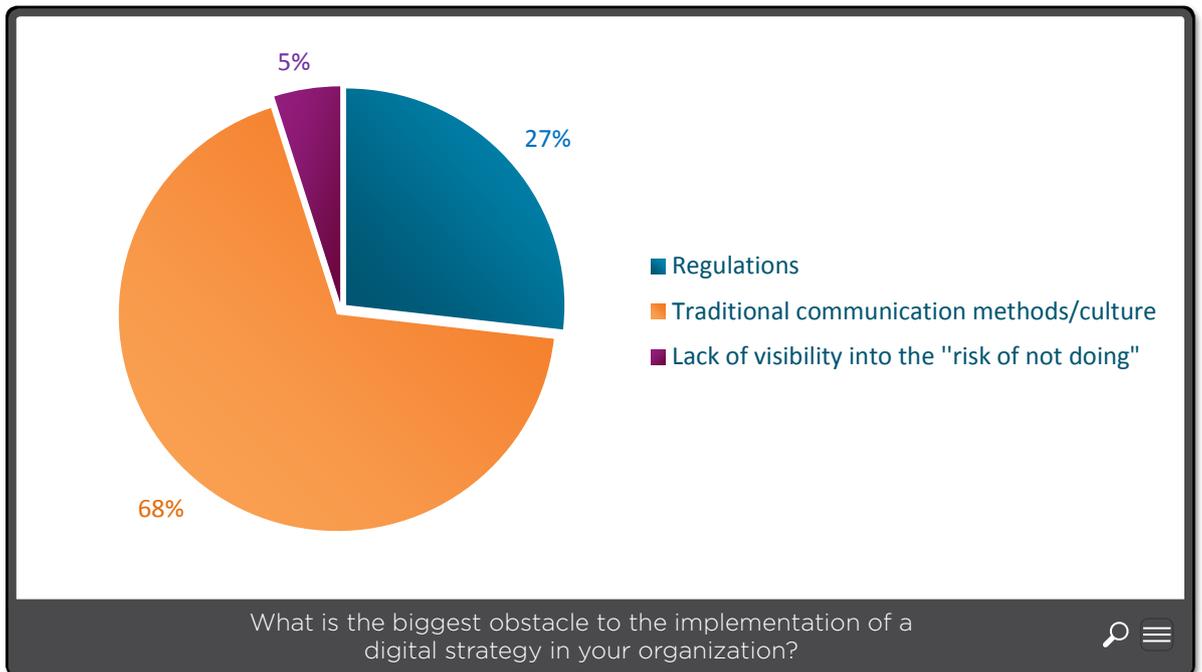
Digital roadblocks: traditional communication strategies and restrictive regulations

The use of traditional communication methods in the pharmaceutical industry is considered by 68% of survey participants as the main obstacle to the implementation of a digital strategy

The pharmaceutical industry has only recently started to adopt a digital strategy, in response to health care professionals and patients increasingly utilizing Web 2.0 capabilities

In a highly regulated environment, pharmaceutical initiatives are not only facing cultural and creativity challenges, but compliance challenges as well, namely as they relate to the information provided to patients and health care professionals through websites, social media, smartphone applications and other digital platforms; compliance issues with regard to e-pharmacovigilance must also be taken into account

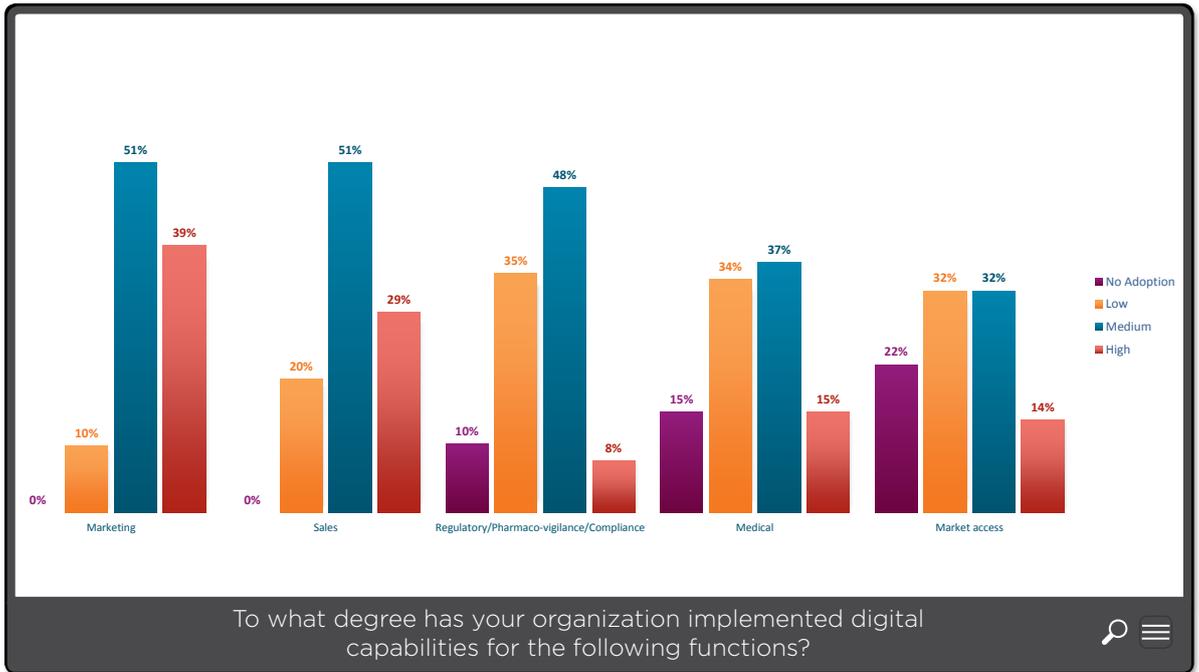
An effective digital strategy is by definition global and cross-functional, but both cultures and regulations differ by location, which can cause confusion. For example, in the United States, it is possible to communicate directly to patients about drugs, whereas in Europe, communication is limited to factual information about prescription drugs and information relevant to proper use of the medicinal product in question



In order to transcend existing paradigms, the implementation of a digital strategy requires some change management components and an in-depth understanding of related regulations

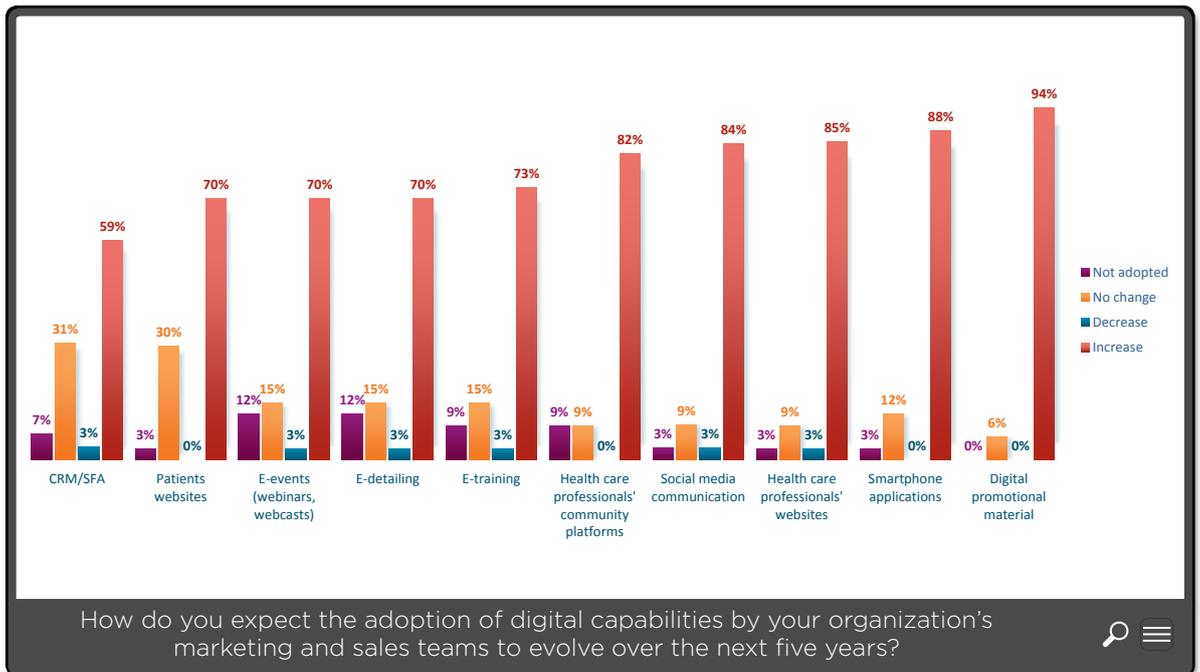
The end of marketing exclusivity

The adoption rate of digital capabilities is considered to be moderate in most departments and highest in marketing and sales



In-house digital expertise, tools and behaviors are starting to spread throughout pharmaceutical companies, but need to spread faster and be focused on best practices in order to meet the challenges associated with implementing a digital strategy

Marketing and sales: New digital capabilities are expected to attract the biggest marketing and sales investments, among them smartphone applications, social media, health care professionals' community platforms, as well as more traditional e-promotional materials

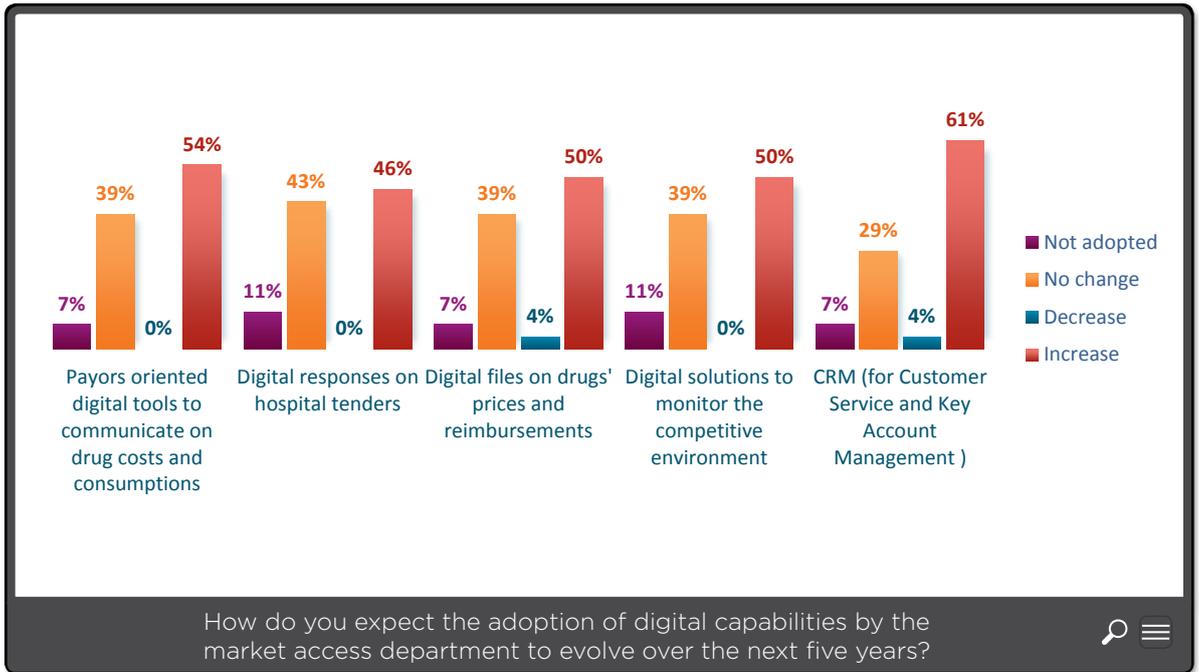


Until recently, digital investments have been limited to e-detailing (including remote) and to health care professionals' or patients websites. Marketing departments are willing to invest more in smartphone applications as they present new, innovative opportunities. Smartphone applications are currently focused on treatment information, the quantified self, and follow-up services between patients and health care professionals. Going forward, they are expected to provide additional capabilities, especially for telemedicine.

Another investment area is likely to be social media as it provides valuable insight into what is being said regarding the industry and its products. However, the lack of a social media communication charter, and the need to adhere to pharmacovigilance measures, remain obstacles.

Market screening, idea generation, business cases and a go-to-market model are necessary steps to supporting the development of endemic business opportunities

Market access: Digital investments focused on key account management solutions are expected to increase the most

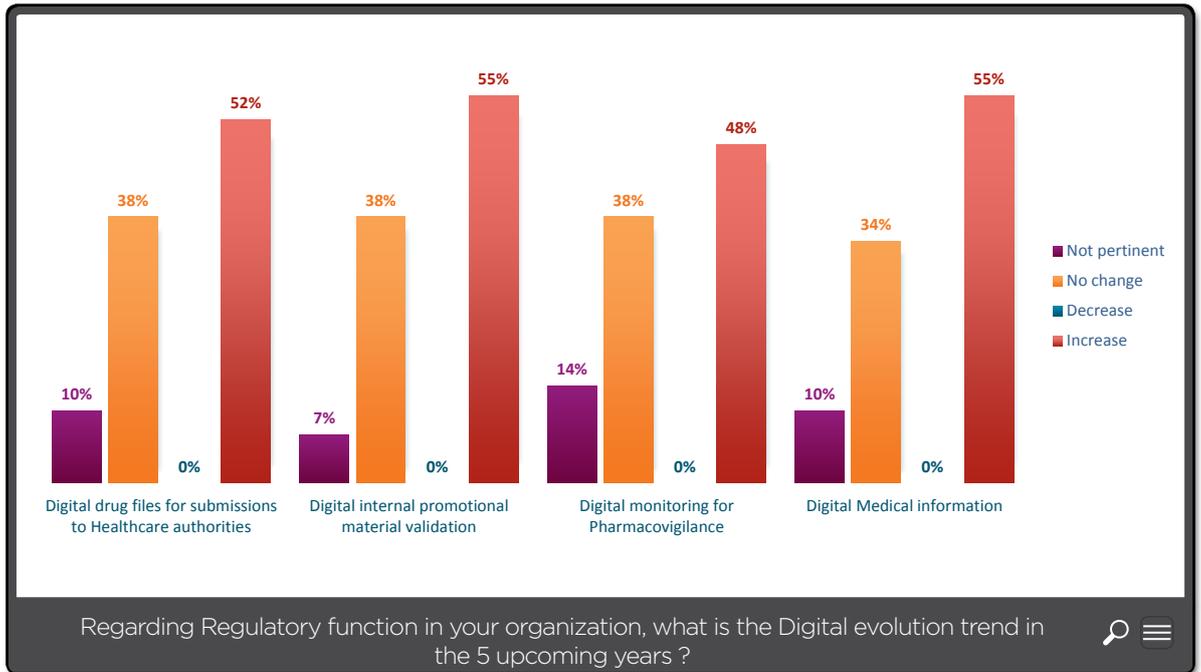


Many pharmaceutical companies have evolved into key account management organizations, which very often include institutional relations and market access functions. As payors increasingly demand proof of drugs' pharmacoeconomic benefits,

some pharma companies have developed digital solutions to communicate such benefits so that key account managers can access them via their tablets

Beyond product communication, pharmacoeconomic data management represents an opportunity pharmaceutical companies should consider

Regulatory affairs: Half of the survey respondents expect digital investments to increase, while the other half do not

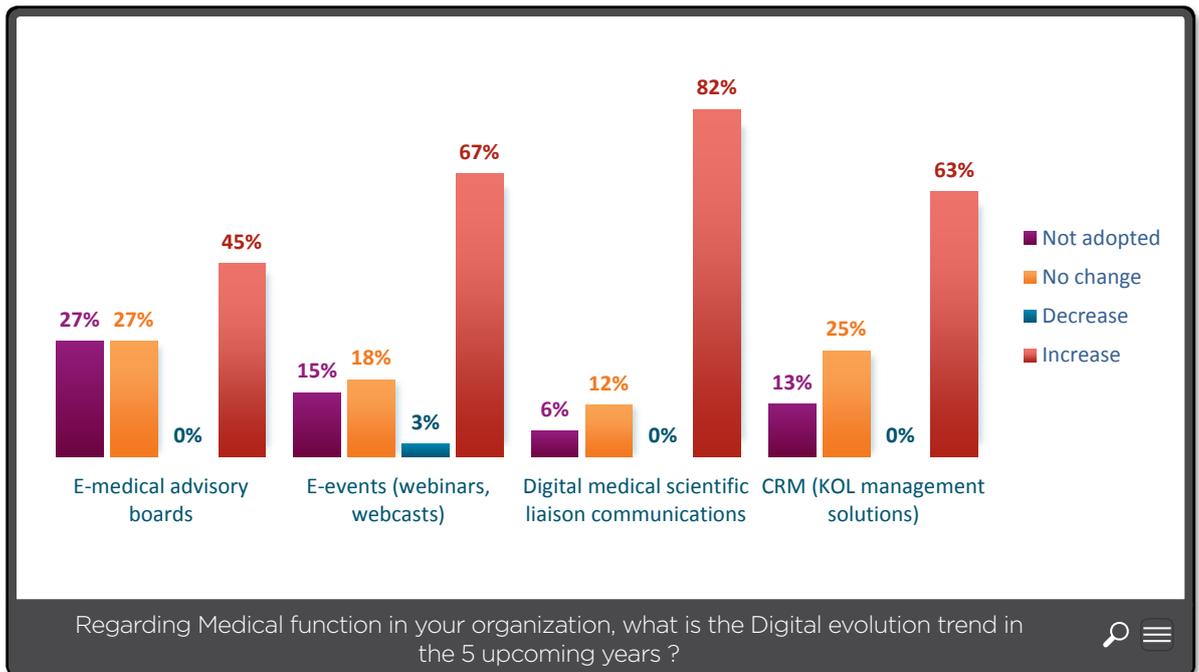


The regulatory department plays an increasingly important role at pharma organizations due to a greater number of regulatory restrictions with regard to both the approval and commercialization of drugs, but it could be better facilitated by using digital capabilities. Most pharma companies are already submitting drug approval applications to health care authorities digitally and are using digital capabilities internally to discuss supporting materials for marketing campaigns

Pharmacovigilance efforts could also be reinforced by digitally alerting the pharmacovigilance department to drug safety conversations taking place online

Creating synergies between traditional pharmacovigilance systems and digital intelligence systems is a way to be innovative and reinforce compliance at the same time

Medical department: Investments in digital tablets for use by the medical scientific liaison are expected to increase the most

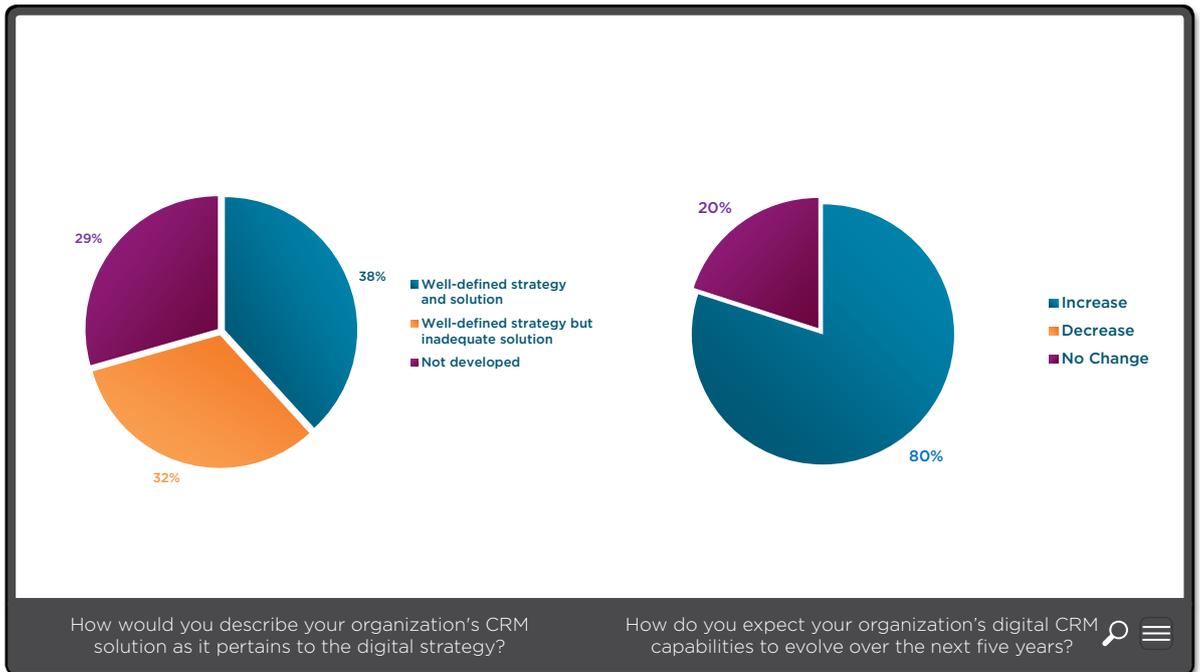


- The medical department is becoming more involved with marketing and sales functions
- Pharmaceutical companies have been adding medical scientific liaisons to ensure an ongoing relationship with the medical community
- Digital capabilities such as videoconferencing and tablets enable the medical department to remotely participate in sales calls and respond to physicians' questions

Digital integration of key functions requires robust interfaces, lean processes, relevant governance and a cross-functional culture

Digital CRM: room for improvement

68% of survey participants believe their organization has a well-defined CRM strategy, but just 38% think it has the necessary digital solutions to execute that strategy. However, 80% are considering an increase to digital CRM investments

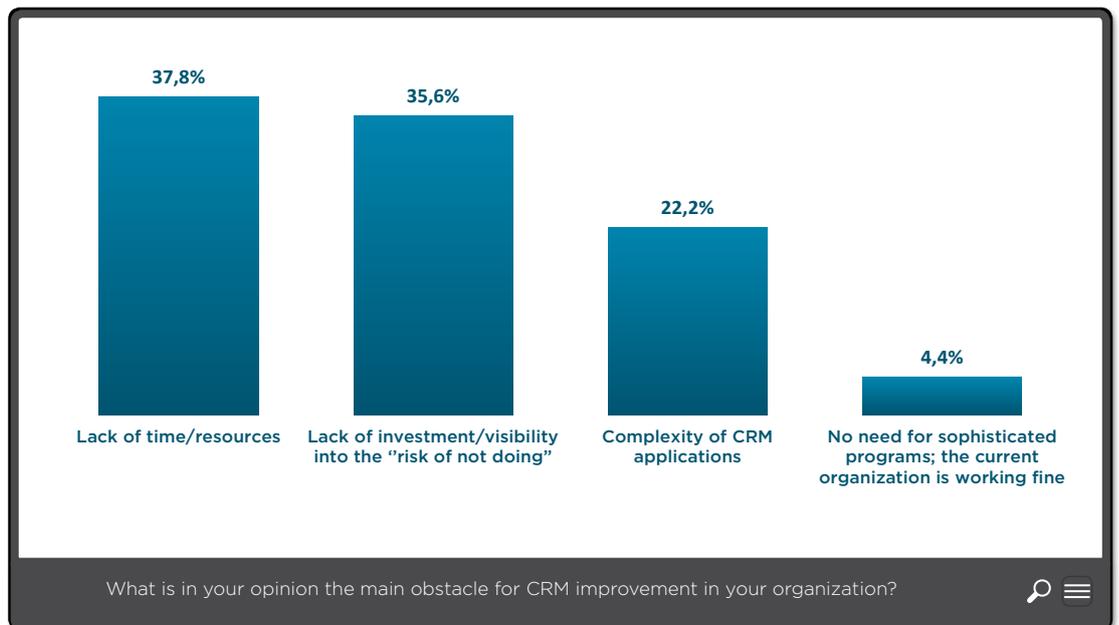
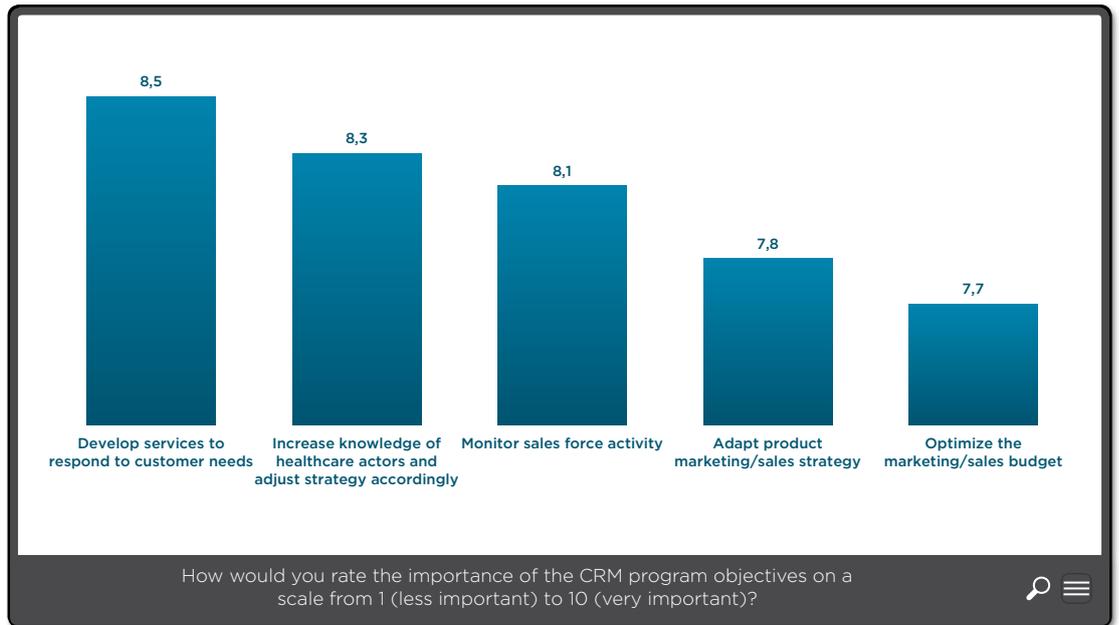


The pharmaceutical industry has been embracing a customer-oriented culture, and the majority of pharmaceutical companies now have a CRM strategy. However, digital CRM solutions should take into consideration

both the organizational structure (sales department) and the level of digital strategy within it (e-detailing, remote e-detailing)

In order to successfully implement a digital CRM strategy, benchmarking CRM solutions is critical

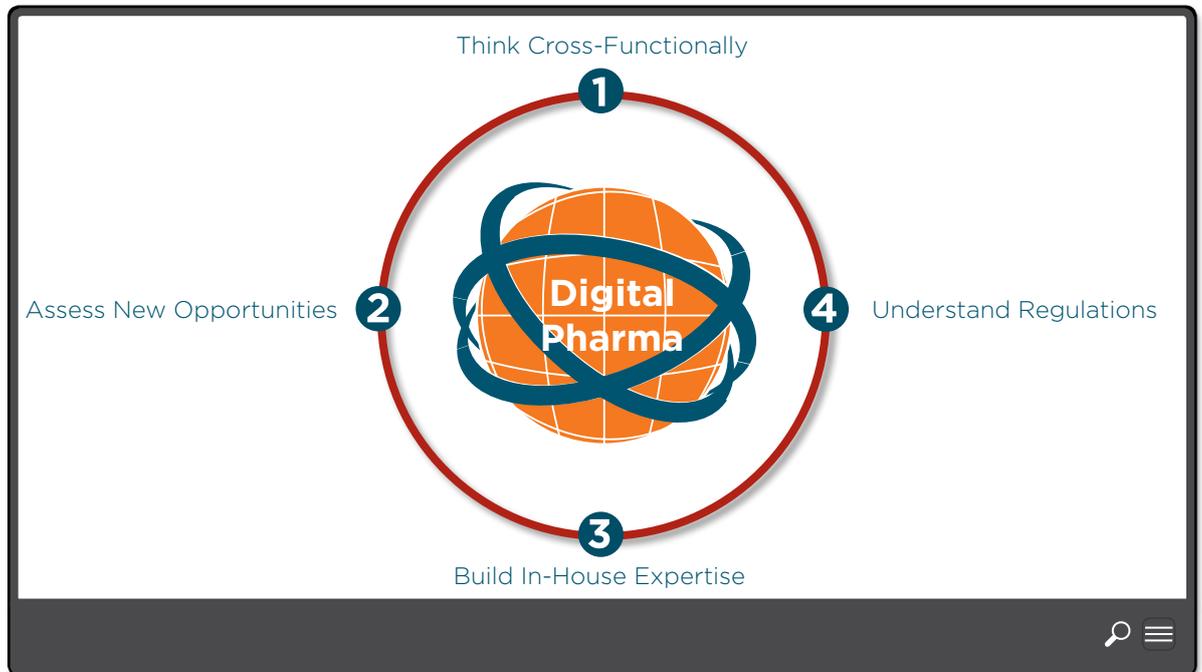
The main objective of a CRM program is to understand customers' needs and propose new, customized services. The main obstacles to improving CRM appear to be a lack of time and resources (38% of participants) and a lack of visibility into the necessary investments (36%)



Value mapping prior to project implementation is a prerequisite for aligning CRM solutions with the corporate strategy

Roadmap for a successful digital strategy

Four key steps to realizing Digital Pharma



1. Thinking cross-functionally in order to better understand customers' needs, then investing in capabilities that best address those needs and, in the process, ensure long-term relationships
2. Assessing new opportunities and the potential ROI of individual markets while taking into account their unique health care system policies
3. Building in-house digital expertise—and a consistent set of metrics across channels—so as to ensure long-term strategy coherence, as well as to save time and money
4. Understanding digital regulations so as to avoid infringing upon them

Think about digital strategy across departments

- ▶ Understand customer needs by developing customer relationship management solutions (internal change management implementation is key)



- ▶ Respond to customer needs with closed-loop marketing campaigns (multichannel approach: face-to face, e-detailing, phoning, mailing/e-mailing, PR and e-events)



- ▶ Maintain customer relationships by providing innovative services based on digital capabilities (disease management applications, medical education, web community platforms)



Think cross-functionally in order to better understand customers' needs, then invest in capabilities that best address those needs and, in the process, ensure long-term relationships

Assess new opportunities for innovative services aimed at health care partners and patients

Key questions

What are the key new business opportunities?

What are the essential trends to follow or anticipate?

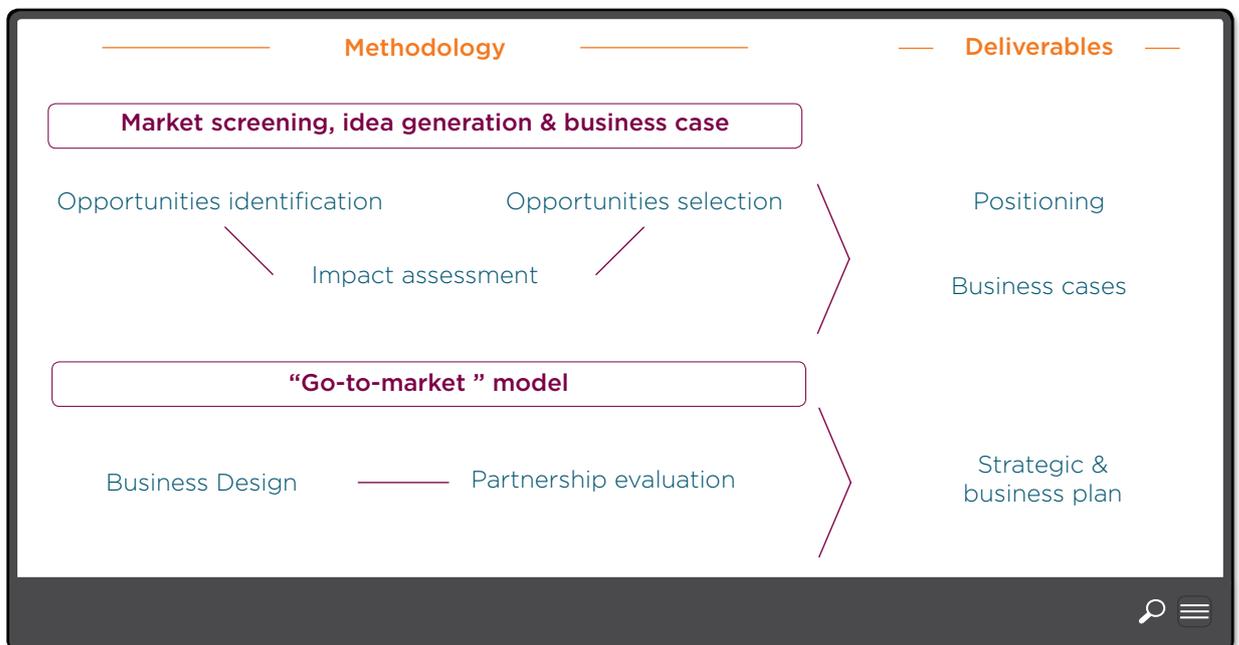
What are the main expectations from the clients? In what domains ? Are they currently being addressed and if so, how?

What is your company's current and future value proposition and how can it be enhanced ?

How is your company positioned to benefit from these trends ? And what could these new services add to the existing businesses? How could it address the needs of the actual clients ? What level of transversality / feasibility does it require?

How much does your company expect to gain from these new opportunities? In what form? Revenues (direct and indirect financial gains) or reputation (brand, image)?

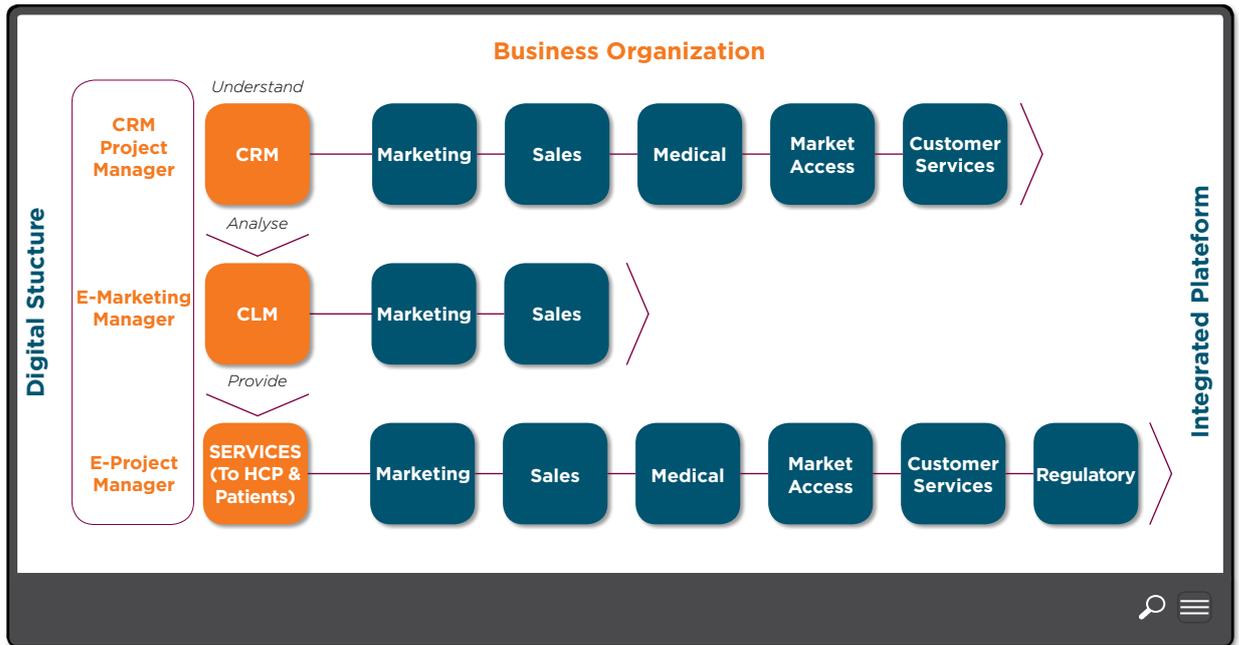
What would be the most appropriate way to address these issues (legally, fiscally, financially...)? With what roadmap? Alone or with partners ? Which ones? Does it require specific adjustments (organization, process, structure,...)?



Assess new opportunities and the potential ROI of individual markets while taking into account their unique health care system policies

Build in-house digital expertise

- ▶ Define a structure with project managers to lead the digital strategy across departments
- ▶ Hire people with digital expertise from other sectors



- ▶ Build an integrated platform to personalize customer service and measure its impact
- ▶ Rely on internal capabilities more than outsourcing in order to save time and money
- ▶ Build a consistent set of metrics across channels

Build in-house expertise—and a consistent set of metrics across channels—so as to ensure long-term strategy coherence, as well to save time and money

Understand the regulations

▶ Health information for patients on websites

- Be mindful of EU restrictions, such as limits to the factual information that can be provided about prescription drugs, as well as what information is considered relevant when it comes to the proper use of the medical product in question
- In France, keep in mind as well the charter for pharmaceutical companies' online communication (ANSM)

▶ Health information for health care professionals on websites

- Provide secure access for health care professionals (access code with physician registration number)
- In France, ensure that the website conforms to the Medical Visit Charter (2004)

▶ Health information via social media

- Work within the limitations of health forums: In France, ensure compliance with the ANSM charter and limit forums to health care professionals (notably, patients could be included in such forums, but doing so could be interpreted as teleconsulting, so should comply with medical consulting regulations). Assess the corporate liability associated with collaborative health websites

▶ e-Health smartphone applications and software

- Assess the regulatory status of the medical mobile application in light of the Medical Devices Directive (MDD) 93/42/EEC
- Seek legal advice to ensure compliance with regulations and to prevent patent or copyright infringements, as well as to clearly define contract terms between the publisher and developer of the application

▶ e-Pharmacovigilance

- Ensure compliance with the EU's pharmacovigilance regulations by making sure that websites include necessary information about any adverse reactions to pharmaceuticals made by the company

Understand the digital regulations so as to avoid infringing upon them

Key survey contributors

Pharma segment leader



Meïssa Tall,
Partner

Meïssa is responsible for the pharmaceutical practice in the Paris office. He has managed numerous important international transformation projects.

Survey conducted by



Philippe Leininger,
Senior Advisor

Philippe has deep expertise in organizational change and business transformation on an international scale and significant experience in the pharmaceutical industry. He has led numerous projects over the past 20 years and is currently working on various life science transformation projects.



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