

Medical Affairs – The Next S-Curve in Pharmaceuticals

2004 Pharma, Biotech
and Device Colloquium



Michael Conway (michael_conway@mckinsey.com)
David Quigley (david_quigley@mckinsey.com)

McKinsey&Company



OVERVIEW

Medical Affairs is increasingly the third major source of differentiation, after R&D and Commercialization, to supplement traditional marketing activities

Medical Affairs creates value and competitive advantage by engaging providers and managed care, and expanding development

However, companies are finding it challenging to scale up Medical Affairs, while maintaining internal alignment and a coordinated interface to physicians

To build a successful Medical Affairs capability, companies must ensure tight collaboration with R&D and Sales & Marketing, build in flawless execution, and attract and keep the right talent

MEDICAL AFFAIRS IS INCREASINGLY THE THIRD MAJOR COMMERCIAL DRIVER FOR PHARMACOS

New external pressures

New compliance guidelines are limiting marketing degrees of freedom

Increasing demand for outcomes data for payors, and drug comparisons for physicians

Limits of traditional approaches

R&D fully leveraged with new products and label expansion

Diminishing returns from incremental expansion of sales and marketing tactics

Medical Affairs

WIDE RANGE OF APPROACHES TO U.S. MEDICAL AFFAIRS

	From . . .		To . . .
Reporting	Global R&D		Dual report to Global and US
Interaction with brand teams	Support group		Fully integrated with brand teams
Interaction with global	Light touch global org ensures consistency		Fully integrated with Global Marketing
Budget	No separate MA budget		Dedicated budget for all activities
Focus	Tactical support to clinical & commercial		Thought partner to brand teams & development group

BUT SOME KEY TRENDS EMERGING

Reporting



Increasing separation from sales and marketing

Interaction with brand teams



Most struggle to develop integrated solutions and specialization

Interaction with global



Stronger linkages with enhanced global organizations

Budget



Increasing MA control over information dissemination budgets

Focus



Increasingly strategic

WIDE RANGE OF SCOPE OF MEDICAL AFFAIRS FUNCTIONS

	CME	Thought Leader Development	Drug Information	Outcomes	Trial Strategy	Medical Liaisons	Publications
Company A	✓	✓	✓	✓	✓	✓	✓
Company B	✓	✓	✓		✓	✓	✓
Company C	✓	✓					
Company D	✓	✓	✓	✓	✓		
Company E	✓	✓	✓	✓		✓	

MEDICAL AFFAIRS CREATES COMPETITIVE ADVANTAGE ON THREE DIMENSIONS

Drive appropriate medical use: Educating physicians based on all available data

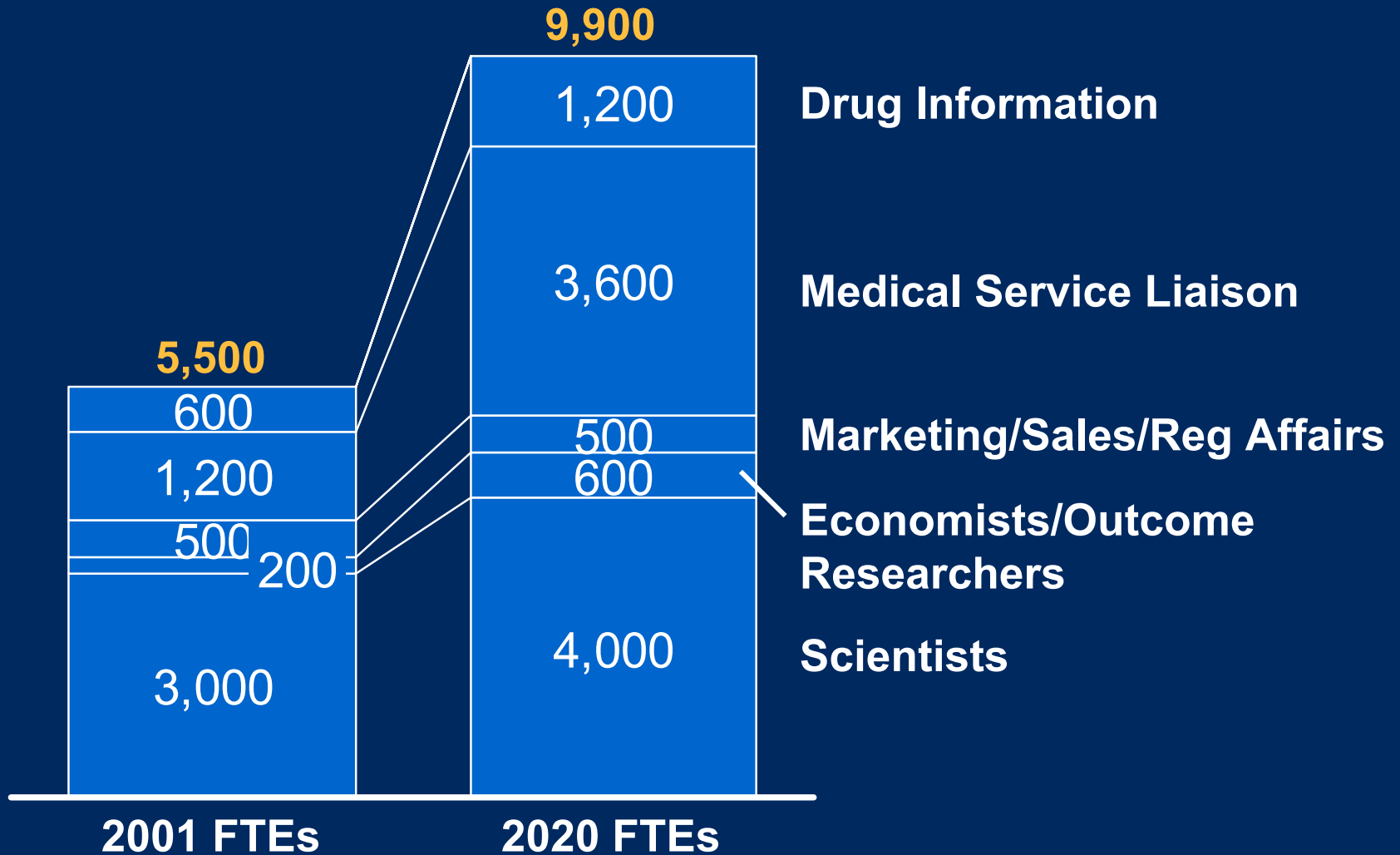
Early and comprehensive engagement of providers:

- Allowing early consideration by thought leaders
- Engaging a comprehensive set of stakeholders
 - Peer to peer discussions
 - Involvement in clinical trials
 - Medical education

Building a differentiated product profile : Enhancing value of a drug to patients, payors, and physicians, e.g.,

- Product attributes (clinical, cost, convenience, comfort)
- Efficacy in sub-populations
- Combinations
- Direct comparisons

FOR THESE REASONS SIGNIFICANT GROWTH IS EXPECTED IN MEDICAL AFFAIRS



Source: Professionally Determined Need for Pharmacy Services in 2020 Conference

COMMON CHALLENGES IN SCALING UP MEDICAL AFFAIRS

- 1. Consistently interpreting and complying with guidelines**
- 2. Maintaining alignment between Medical Affairs, Commercial and R&D objectives**
- 3. Ensuring interactions with providers are consistent with objectives and with sales and R&D activities**
- 4. Attracting and retaining talented scientists and technical people, particularly mid-level leaders**

POSSIBLE WINNING APPROACH FOR SCALING UP MEDICAL AFFAIRS

- 1. Balancing the organization tightly around posture**
- 2. Building alignment through “a shared vision for the brand” that is developed collaboratively with Medical Affairs, R&D, and Sales & Marketing**
- 3. Building processes to drive alignment of activities at a local market level and consistency with objectives**
- 4. Creating a career proposition and trajectory, and ensuring salary commensurate with Commercial**

TOUGH QUESTIONS

- **Are you doing enough in Medical Affairs?**
- **How good is the work that is being done?**
- **What stops you doing more and doing it better?**
- **How excited are your people?**
- **How well do you work with R&D and Marketing?**

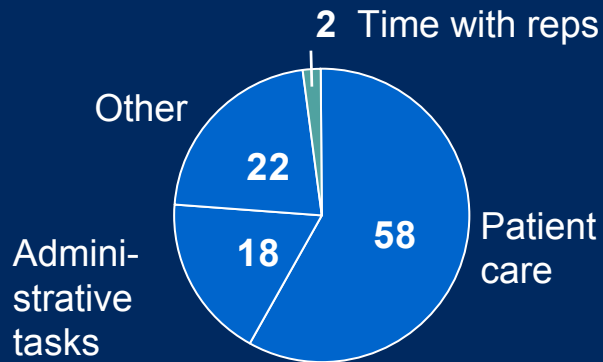
Appendix

REACHING SATURATION POINT ON TRADITIONAL SALES AND MARKETING

Doctor time allocation

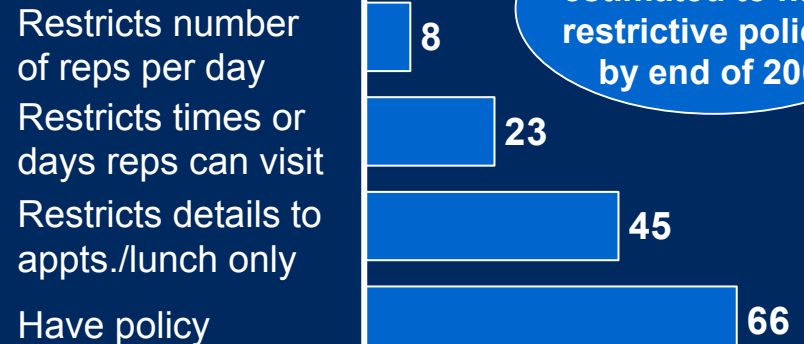
Percent

100% = ~14 hours per day



Prevalence of policies that restrict representative access

Percent of physicians



80% doctors estimated to have restrictive policies by end of 2002

“No more than three reps will be seen in a day, and if the doctor is busy, the representative must leave samples with the front desk while the staff obtains the physician’s signature. This policy became necessary because there were 10-15 reps calling on the office and interfering with our ability to see patients.”

– PCP Office Manager