Decoupling Noncore Brands from Internal Contribution Thresholds to Optimize Portfolio Performance

Balancing internal versus external resources and virtualizing key aspects of brand management in the life sciences industry frees in-house teams and resources to focus on growing leading brands while rejuvenating non- or underperforming ones.

Executive Summary

Pharmaceutical, biotech and medical device portfolio/brand management teams face unprecedented challenges. They are caught in a maelstrom of familiar forces: loss of exclusivity, less differentiated products, smaller pipelines, competition from generics, pricing pressures, fragmented customer bases, etc. — all leading to declining revenues and lower margins.

In this environment, fully exploiting all the assets in a therapeutic area's established product portfolios is critical. Yet the "core" launch/growth brands that are highly profitable are most likely to meet revenue contribution levels, so teams understandably focus their limited resources on them.

Applying the traditional brand commercialization model and its high internal revenue threshold and management techniques across the entire portfolio means that potential revenues from noncore brands may go largely unrealized or under-recognized. These noncore brands — mature brands, those nearing the end of exclusivity, never-launched brands or niche products — still can contribute substantially to revenues. Achieving that goal, though, means companies must reengineer traditional portfolio/brand management and customer engagement models, which typically are geared toward large cross-functional internal teams, multiple external agency support and extensive personal promotion.

Leading life sciences companies have a new model for extracting greater revenues from their noncore brands while containing costs. This entails creating more effective and efficient operational processes and promotional spend allocations across the portfolio through strategic partnerships. Balancing the use of internal versus external resources and virtualizing key aspects of brand management frees in-house teams and resources to focus on growing core brand revenues, while collaborating with a strategic partner to optimize revenues from non- or underperforming brands.

Today's Brand Management Challenges

While life sciences organizations recognize the need to wring value from an entire product portfolio, their ability to do so has been limited because of the way industry forces are reshaping brand management. The consequences include:

- **Maturing, less differentiated product portfolios.** Products that soon will lose or have lost exclusivity and face generic competition are challenging to market cost-effectively. They require increased end-of-lifecycle planning, analytics and new tactics to successfully compete with generics, but their potential revenue thresholds may no longer meet internal requirements to justify the necessary allocation of resources.
- **Minimized resources.** Resources for all brands have become scarcer, with life science companies responding to declining revenues by cutting costs, including reduced professional resources. In short, brand marketing teams must reach their revenue targets with limited headcount.
- **Reduced support infrastructure.** Fewer market research, business analytics, health outcomes and managed market resources are available to brand teams. Expensive external support systems, including large agency or multiple-agency service models, have not changed to reflect this new reality and are not suited for noncore brands. Scarce remaining resources, from sales professionals to promotional budgets, naturally are focused on core, priority brands that offer the greatest return on investment and enable a product portfolio to meet its revenue contribution threshold.
- **Value of noncore brands marginalized.** Noncore brands are marginalized, with few, if any, marketing resources allocated to them. Although many of these brands still have value, it goes unrealized.

Reengineering Noncore Brands

Noncore brands can provide significant portfolio contribution, if companies manage them with more efficient marketing delivery models. These models require companies to reengineer how they set revenue thresholds for noncore brands in a product portfolio.

Noncore brands are those that don't meet internal revenue contribution thresholds, have equivalent or inferior clinical data sets, are reaching maturity or nearing loss of exclusivity, are targeted to niche markets or have not been launched because of low revenue potential or lack of strategic fit.

For these reasons, a noncore brand usually does not compete well for internal resources against core, high-revenue-producing brands. Yet, there are substantial reasons to create different revenue thresholds for noncore brands and

CASE STUDY ONE>> Niche Product Launch

Bussiness challenge: A product had received FDA approval but was not launched because its sales forecast did not meet the internal contribution threshold for resource allocation.

Solution: The team launched the product using our VBM offering (see *Virtual Brand Management: Optimizing Brand Contribution*). This solution focuses on optimizing noncore brands through a strategic partnership with the client. The VBM team provides a scalable set of brand management tools and services, including a one-source agency model that eliminates overlapping spend among noncore brands and reduces total costs. We developed and managed the entire launch campaign, including market research/analysis, brand positioning and strategy, metrics development, digital media plan development, creative development (including Website and digital media) and campaign execution and management.

Benefits: By decoupling this niche brand from internal revenue thresholds and higher-cost delivery models, the brand management team realized greater efficiencies and lower costs in creative services development and production, highly effective campaign results as defined by plan metrics and refocused resources — moving internal headcount to a core, priority brand while still deriving greater revenue from the noncore brand.

VBM: Diagnostic: Potential Outcomes

Virtual Brand Management (VBM) is a scalable strategic partnership framework aligned with marketing value levers that optimize brand contribution.

END-END MARKETING VALUE LEVERS

VBM	SOLUTIONS	BENEFITS
Agency of Record	Creative Services Medical Communications Message Development/Testing	Optimized (consistency/efficiency) Agency service model
Brand Planning and Customer Segmentation	Launch Planning Tactical Planning & Metrics Treatment & Patient Flow Analysis Customer Segmentation	Revenue growth driven by scalable Marketing resource
Stakeholder Management	KOL Development Medical Congress Management Contact Management System	Sustainable HCP behavioral changes
Portfolio & Lifecycle Management	Mature/LoE/Generic Transition New Product Assessments Product Line Extension Strategic Portfolio Planning	Maximized portfolio value

VBM encompasses strategic consulting, scalable resources, proprietary analytics and cloud-based solutions that drive commercial operations, portfolio and brand contribution optimization.
Figure 1

deploy promotional spend to maximize contribution from these brands:

- **Generics cost savings criticized.** Evidence is emerging that generics are not always a cost-effective alternative to their branded predecessors. In the case of branded antihypertensives and their generic competitors, a literature review showed that patients who switched to the generics for cost reasons often experienced unforeseen and costly drug interactions and side effects.[1] One study showed for every 100 intended prescription changes, 16 additional consultations were generated.[2] In another study, antihypertensive use declined in a group switched to generics for cost reasons, while inpatient and emergency room admissions increased.[3] Further, physicians and patients often are concerned about using generic formulations versus branded products.[4]
- **It appears, then, that even brands losing exclusivity still have efficacy, safety/tolerability, cost and brand equity advantages over generic competitors.** These differentiators, properly marketed, can extend the life of maturing and nonexclusive brands and sustain value and revenue potential.
- **Sizable potential revenues.** Generic competition does not have to mean the elimination of revenue within a given therapeutic area. For example, a first, exclusive generic may reduce total market revenue by about 20% until additional generics drive down pricing even further. Thus, a market once worth $10 million per month could be reduced to $8 million initially, of which the formerly exclusive brand can now command $3 million to $4 million. In an era of cost cutting and reduced revenues, a roughly 50% share of an $8 million market is clearly better than no share at all. Yet, resource constraints due to static revenue contribution thresholds often lead to a lack of planning for loss of exclusivity to protect revenue from noncore, maturing brands.
- **Internal cost savings.** By using a more efficient management model for noncore brands, brand management teams can not only reduce the cost of marketing for these brands but also potentially increase revenues or slow down their rate of decline. Those savings can be reinvested to support the team's efforts with core brands or other initiatives.

Varying contribution thresholds in a product portfolio to make room for noncore brands is a

CASE STUDY TWO>> Niche Brand with Three Years of Exclusivity Remaining

Business challenge: The brand was struggling against its competition, with results not justifying continued or additional marketing resources based on the portfolio's revenue thresholds.

Solution: After a diagnostic review, we identified that the single most important barrier to brand uptake was a range of access issues caused by the brand's formulary tier status, and we thus developed multichannel brand purchase options. The campaign included contracting with retail pharmacy distributors to enable traditional insurance coverage/co-pay transactions, a branded consumer debit cards program for use at point of purchase to offset prohibitive patient co-pays and an online direct-to-consumer purchasing option for patients with no insurance coverage.

Benefits: The pharmaceutical company saw top line revenue growth in the brand.

critical concept for appreciating and realizing increased value. A noncore brand may have a narrower window of opportunity for optimizing revenues, such as months versus years, or its revenue targets might likely be met in a limited but intense campaign of several weeks. Being flexible with thresholds can help individual brands achieve a sustainable contribution threshold and increase a portfolio's overall profitability.

Reengineering Noncore Brand Management

Optimizing individual brand contribution is the challenge in adopting variable thresholds and distilling optimal value from noncore brands. Applying the resources, infrastructure and strategies appropriate for core brand management to noncore brands often consumes much of the value a noncore brand can generate. Typical brand management strategies must be reengineered to drive revenue from noncore brands in a cost-effective way. The critical, and intertwined, components of this reengineering include:

- **Sharper targeting.** For many noncore brands, revenue is driven by segments of high-value prescribers and patient types. Identifying and segmenting these high-value prescribers, and reaching them with messages and tactics most likely to generate positive responses, will optimize promotional spend.
- **Advanced analytics.** Timely data is critical to identifying the high-value targets, understanding their motivations and measuring responses so the noncore brand campaign can be quickly adjusted based on field results.
- **Different promotional mix.** Noncore brands are best served by a mix of personal and nonpersonal channels that include digital tactics such as e-mail, e-detailing, Web, search and display, etc. It's crucial to couple these tactics with focused targeting and strong analytics so they are deployed against the targets where they will be most effective.
- **Rethinking supplier relationships.** Core brands often are supported by multiple agencies, such as the agency of record for creative services production and multiple vendors for specific types of tactics. Multiple relationships can lead to duplicated efforts and expenses unjustifiable for noncore brands. A supplier able to streamline the planning, research and execution of noncore brand campaigns can significantly reduce expenses.
- **Virtualized resources.** Cloud-based and onsite/offshore tools and teams make it easier to share data and expertise, and offer scalability and reliability while minimizing up-front investments. Team virtualization also enables resources to be scaled according to brand planning and field force selling cycles.

Reengineering the approach to noncore brand management by incorporating these tools and concepts can increase noncore revenue performance. A common obstacle to doing so, however, is that reengineering requires skill, time and infrastructure that do not exist in-house and are not easily acquired due to budget constraints.

CASE STUDY THREE>> A Mature Brand with Months of Exclusivity Left

Business challenge: The brand organization needed to minimize the revenue decline and optimize agency of record resources.

Solution: We acted as agency of record for strategy development and creative development/execution. As a result of providing strategic and creative initiatives including logos, printed marketing collateral, interactive media and e-learning tools, we delivered sizeable savings. The solution also included media buys and execution.

Benefits: The company optimized spend on the brand while maximizing revenue potential. It plans to expand the program to other brands nearing loss of exclusivity.

One Solution: Virtualization of Brand Management

Brand management teams at several top life sciences companies are turning to virtualization as a solution for reengineering noncore brand management. With this approach, the company collaborates with a trusted strategic service provider to provide a complete array of highly efficient and effective brand management services for noncore brands (see Figure 1).

Decoupling noncore brands from internal revenue thresholds and virtualizing key brand management functions for noncore brands enables commercial teams to focus internal efforts on core brands while still deriving value from noncore brands that formerly were nonproducing or underperforming assets, as the preceding case studies illustrate (see pages 2, 3 and 4).

Conclusion

Given the ongoing cost pressures pharmaceutical brand management faces and the challenges of realizing the full revenue potential of steadily maturing product portfolios, noncore brands will continue to gain credibility as significant contributors to portfolio profitability. Reengineering the management of these brands is an essential component to maximizing value from them. Virtualization is emerging as a best practice for decoupling underperforming or under-resourced assets from internal resources. Given the irrepressible forces reshaping life sciences, it is critical to begin exploring new ways to reduce the total cost of brand management and maximize the revenue potential from niche, non-launched and maturing brands in therapeutic portfolios.

Footnotes

1 Atholl Johnston, Panaglotis Stafylas, George S. Stergiou, "Effectiveness, safety and cost of drug substitution in hypertension," British Journal of Clinical Pharmacology, 70:3, pp. 320-334.

2 Ibid, p. 327.

3 Ibid, p. 327.

4 Ibid, p. 324.

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