

Specialty Care:

Specialty Pharma Reps Hurting for Specialty Pharma Tools



Specialty Reps Hurting for Specialty Tools

Abstract:

Growing at twice the rate of traditional pharmaceutical sectors, the specialty drug market is commanding the attention of big pharma executives. Consequently, so is the specialty care account manager, who will likely have a major impact on the pharmaceutical company's overall success as specialty drugs continue to be pharma's "get out of jail free" pass in this flailing marketplace. While fast-growing, however, specialty pharma is also one of the most underserved areas of pharma when it comes to information technology and services. The once ancillary specialty sales team has very unique needs that don't neatly fit into the pre-packaged general sales automation systems. A CRM system designed specifically for this area would solve the problem, improve information sharing and decision-making, and make specialty care a more efficient, more effective arm of the entire organization. The following paper discusses the crucial role today's specialty drug area plays in the success and/or failure of a drug and a pharmaceutical company, the current processes a specialty care representative goes through to improve formulary status, highlight its flaws, and propose an alternative solution, and shows specific ways a CRM or similar system will help the specialty care rep improve his or her effectiveness, impacting the success of the overall organization. Given the right tools, a specialty care account manager can significantly improve the company's overall profitability.

Introduction:

High-volume, blockbuster drugs have fueled the pharmaceutical industry's growth over the past 15 years. But, with increasing uncertainty about the ROI of primary care drug development under today's turbulent market and regulatory conditions, big

pharma is looking for additional avenues of growth. And, they are taking a cue from smaller, yet fast-growing specialty drug companies. Consider Shire Pharmaceuticals and its Attention Deficit Hyperactivity Disorder (ADHD) product line. Shire's well-prescribed ADDERALL XR[®] reached record sales in 2006 and helped the company capture over 28% of the ADHD market. The company's 2006 revenues topped \$1.79 billion.¹

Indeed, the specialty drug market is growing at twice the rate of traditional pharmaceutical sectors. More evidence of the phenomenon comes from the Pharmacy Benefit Manager, Express Scripts' analysis of IMS Health data that shows the U.S. specialty drug spend in 2006 was \$54 billion or 20% of the overall prescription drug spend. The PBM also estimates that by 2010, specialty drug spend will represent

¹ Annual Report and Accounts for the Year Ended December 31, 2006, Shire Pharmaceuticals, PLC. http://www.shire.com/shire/uploads/reports/Shire_2006_annual_report_IFRS.pdf

Despite its lightning-fast growth, specialty pharma is one of the most underserved areas of life sciences when it comes to information technology and services.

26% of the overall prescription drug spend or \$99 billion.²

So for good reason, traditional pharmaceutical companies are racing hard and fast to align their organizations to bring novel drugs to small but desperate patient populations. Many already have significant specialty product pipelines. Eli Lilly, for example, currently has 14 proteins in development targeting specialty diseases, constituting about 30% of its early stage pipeline. Pfizer, with 35 protein projects in research and development, generated \$1.5 billion in protein therapeutics sales in 2006 and claims that it will triple that number by 2010.³ Recently, Bayer Healthcare made a strategic move in the direction of specialty pharma by selling its primary care division and acquiring a large, specialty-focused business – Schering AG.

Many of these large pharmaceutical organizations are struggling to uncover exactly how to efficiently manage this microcosm of their business – what technology, what processes, what products. Despite its lightning-fast growth, specialty pharma is one of the most underserved areas of life sciences when it comes to information technology and services. That's because specialty drug selling is, quite frankly, special, and as different from the traditional primary care business model as apples and oranges.

As Different as Apples and Oranges

One of the most important differences between primary care and specialty care can be seen right at the start of the sales process – customer targeting. Just like primary care reps, specialty reps need to determine who the most influential physicians are in their territories. This is easier said than done because, unlike in primary care where prescription data clearly ranking physicians by their prescription

² AIS Health.com, "Specialty Pharmacy Spending Still Increasing, As New Drugs Make Big Splash," reprinted from July 2007 issue of Specialty Pharmacy News. <http://www.aishealth.com/Bnow/080107a.html>

³ Pfizer.com, "Pfizer Says Growth in Phase II Portfolio Supports Goal of Tripling Phase III Portfolio by 2009," August 6, 2007. http://www.pfizer.com/news/pfizer_press_releases.jsp

volume is easily attainable, there is no single data source that gives specialty reps all the information they need.

"Specialty care reps operate in smaller universes of customers so targeting is different. The group practice setting is not like it is in primary care – it's no longer simply a one-to-one relationship," says Shawn Roman, partner at Accenture, Health & Life Sciences, a global management consulting, technology services, and outsourcing company. "Reps must find creative ways to identify the physicians in a practice that are the most influential."

Technology providers have not been willing to make the necessary investment in R&D to develop a specialized system for such a small number of users. It simply has not been profitable.

Richard Ferris, vice president of data engineering at HealthMarket Science, a leading provider of healthcare data, explains, "many specialty care reps target their physician customers by literally walking around a hospital or clinic and counting how many times each doctor's name appears on the boards. This flawed process can cause reps to overlook the top surgeon because he floats between multiple hospitals and clinics – as is typical with specialists."

Instead of resorting to inefficient tactics, specialty care reps need tailored technology that will automatically assemble multiple sources of reliable data into a single repository that is easy to understand and is accessible from anywhere. They need a system that

provides them with a complete 360-degree view of the customer – from patient volumes to order status, from sphere of influence to touchpoints with primary care reps, from reimbursement rates to formulary status. All of this is important not just to improve efficiency when targeting physicians, but also to help the specialty care rep better support physicians once they become customers.

Finally there is new technology that has made the development, deployment, and maintenance of market-specific software available and affordable.

In specialty pharma, the best customers are not general practitioners who run routine practices. Rather, they are discerning specialists who typically treat patients with chronic illness and must guide those patients through very complex clinical care over long periods of time. Specialty care reps, therefore, must approach their physician customers differently. They must earn doctors' trust and completely support their multifaceted needs, which usually extend way beyond the basics. For example, reps may need to guide customers through new product distribution processes or keep them abreast of pricing changes at specialty pharmacies.

"These reps need to understand how the physicians operate with both their peers and their patients. Basically, these reps need richer information in order to develop a more meaningful relationship with the physicians. Standard sales force automation technology is not as useful. Instead, they need a tailored solution. We've also seen increased interest

in technologies that help doctors to better connect with their patients," added Roman.

Another Primary Care Solution to a Specialty Problem?

Most specialty reps are required to use the traditional client/server CRM systems designed to support a large team of primary care reps who are skilled at one-to-one physician selling. Client/Server CRM systems provide standard contact and account management functionality, activity reporting, integration with call centers, and other important features. (See Figure 1 for a complete comparison). These CRM systems do a good job supporting the rep who makes 8+ calls a day and needs a place to house and manage all of the resulting data. But, this is not at all how a specialty care rep operates.

"Traditionally, pharmaceutical companies have operated on a call reach & frequency intensive selling model, which doesn't work as well in the specialty market," says Chris Colapietro, senior director at HighPoint Solutions, a leading life sciences IT consultancy. "Now some companies are creating sales forces specific to therapeutic areas and treatments, focusing on providing value to physicians vis-à-vis additional drug mechanism or delivery information, reimbursement tactics, and in some cases practice management. This relationship-

Figure 1: Feature by Feature Comparison of Client/Server CRM Systems vs. SaaS CRM

Feature	Client/Server	SaaS
Contact and Account Management	✓	✓
Activity Reporting	✓	✓
Segmentation & Targeting	✓	✓
Territory Alignment Management	✓	✓
Syndicated Data Integration	✓	✓
Time Off Territory	✓	✓
Material Orders	✓	✓
Integration with Call Center Functionality	✓	✓
Easily Customized Reports		✓
Breakthrough Ease of Use		✓
Free, Zero-effort Upgrades		✓
Point-and-click Customization		✓
Streamlined System Administration		✓

centric approach is the new specialty pharma sales model. Unfortunately, specialty reps are still forced to use a CRM system designed for primary care. It's a classic square peg in a round hole situation."

Frustrated with systems designed to support the larger primary care sales force, specialty care reps develop their own processes or use the enterprise system sparingly just to satisfy upper management requirements. They often rely on spreadsheets, homegrown systems, and their BlackBerries to manage the complicated web of specialty drug sales.

Some technology providers have attempted to market salesforce automation systems – even CRM applications – specifically to the specialty care market, but specialty care reps rightly view these alternatives as expensive band-aids to a bigger problem. Fundamentally, these options are just primary care solutions tweaked to add a bit of new functionality (i.e., an order management system – to support an activity many specialty care reps find themselves directly involved in to support specialists). But, the bottom line is that they have not been designed for specialty care.

Specialty care is not only a highly niche area, but it is also still relatively small compared to primary care. Technology providers have not been willing to make the necessary investment in R&D to develop a specialized system for such a small number of users. It simply has not been profitable.

"Even though there has been a significant rise in specialty care sales forces over the last five years, technology hasn't caught up yet," said Accenture's Shawn Roman. "It has always been too expensive to develop a specialized product for a small group of users. It made sense to tackle the primary care market first, but a lot has changed – both in terms of the industry and in terms of the technology now available."

So, what exactly does the specialty care rep need to succeed?

Specialty sales reps fight an arduous uphill battle...

on skis. They have one of the most difficult jobs in the pharmaceutical organization – selling incredibly complex products to incredibly knowledgeable physicians who are incredibly difficult to pin down. In order to develop trusted relationships with skeptical, overscheduled physicians, specialty care reps need a CRM system that is as specialized as the drugs themselves.

Software as a Service (SaaS) is generating a lot of attention because it is the only technology that makes the development of highly specialized products affordable to the mass market.

Finally, there is new technology that has made the development, deployment, and maintenance of market-specific software available and affordable. The new Software as a Service (SaaS) model has fundamentally changed the economics of deploying a powerful yet tailored application to a small number of users. SaaS applications are built on a shared infrastructure, where all servers, networks, and functionality are managed from a central location. The software is then accessible through any web browser. Think of the simplicity of Google. It also means that the host handles all maintenance and upgrades to the system so pharmaceutical companies' IT organizations can focus on how to strategically add value to the business instead of wasting time maintaining hardware and software.

Simply put, SaaS makes highly specialized programs affordable. Veeva System's new VBioPharma™ Specialty Care Edition CRM system is built on the

“SaaS technology fundamentally changes the economics of deploying a functionally rich, tailored application to a small number of users.”

*Matt Wallach,
vice president of sales and marketing,
Veeva Systems*

SaaS model and is the first of its kind. In addition to being cost-effective for any size organization, the system is engineered to be incredibly flexible. New functionality, new users, new fields can all be added or modified ‘on the fly’ without calling in outside resources. In contrast, traditional client/server systems take as long as 3 or 4 months to make even small changes.

The net result of operating a SaaS-based CRM application over a traditional client/server CRM application comes down to vastly increased effectiveness of the specialty sales force as well as vastly decreased IT financial drain – both up front and over time. Based on ROI analyses from Gartner, Forrester, Yankee Group, and Veeva Systems, a traditional client/server CRM application can cost a pharmaceutical company \$5,800,000 in the first year versus only \$2,075,000 for a SaaS-based application. Ongoing, the SaaS-based application will also be much less than the client/server application. See Figure 2 for cost analysis breakdown.

Thanks to SaaS technology, an open architecture, and valuable data built in... VBioPharma brings pertinent information directly to the laptops of specialty care reps. The specialized CRM application integrates with any external or internal system to help specialty care reps better support their customers. It allows marketing to share key strategies, managed care to communicate drug formulary status changes, and medical science liaisons to share details about a physician’s sphere of influence. Reimbursement information? It’s there too. This all happens instantly, behind the scenes, so reps don’t have to fumble through useless data – meaningful to other departments but

not to them. “Today, there is no shortage of data, and in some ways that’s the problem. Specialty care reps want precisely the information they need, when they need it, and without wading through a mountain of reports to get it.” said HighPoint’s Colapietro.

Specialty care reps no longer have to suffer the consequences of inadequate technology that doesn’t fit the job. No more walking around hospitals, no more wasting hours searching for co-pay information, no more reinventing the wheel for every new account, and no more missed opportunities. SaaS technology is the tonic to heal all those specialty rep wounds.

What’s all the buzz about SaaS?

Software as a service (SaaS) is a software application delivery model where a software vendor develops a web-native software application, and hosts and operates (either independently or through a third-party) the application for use by its customers over the Internet. Customers pay not for owning the software itself but for using it. The term SaaS has become the industry preferred term, generally replacing the earlier terms Application Service Provider (ASP) and “Utility computing.”

SaaS is generating a lot of attention because it is the only technology that makes the development of highly specialized products affordable to the mass market. And, because users access the system through any web browser, advanced software is becoming easy to use – even for the technically challenged. Think My Yahoo! for business applications.

Many types of software are well-suited to the SaaS model. Application areas such as Customer Relationship Management, Video Conferencing, Human Resources, Accounting and Email are just a few of the initial markets showing SaaS success. SaaS applications are generally priced on a per-user basis, sometimes with a relatively small minimum number of users, and often with additional fees for extra bandwidth and storage. SaaS revenue streams to the vendor are therefore lower initially than traditional software license fees, but are also recurring, and therefore viewed as more predictable, much like maintenance fees for licensed software.

About Veeva Systems

Veeva Systems is the leader in multi-tenant SaaS-based solutions for the global life sciences industry. Veeva has dozens of customers ranging from the world’s largest pharmaceutical companies with thousands of users to emerging biotechs commercializing their first products. Veeva customers achieve the fastest time to value through the deployment of fully functional applications that are flexible, simple to deploy, inexpensive to operate, and provide a superior user experience. Veeva is a privately-held company headquartered in Pleasanton, CA.

Figure 1: Cost of Traditional Client/Server CRM vs. SaaS CRM (1,000 users)

Cost Component	Traditional Client/Server Pharma CRM		Software-as-a-Service Pharma CRM	
	Year 1 Cost	Ongoing Cost	Year 1 Cost	Ongoing Cost
Software Licenses/Subs	\$2,000,000	\$400,000	\$1,500,000	\$1,500,000
Server Hardware (planning, benchmarking, purchase, maintenance, upgrade for development, test, validation, and production environments)	\$1,000,000	\$250,000	Included	Included
System/Server Software (database middleware, OS purchase, upgrades and maintenance)	\$250,000	\$100,000	Included	Included
Software Upgrades/Patches	\$100,000	\$150,000	Included	Included
24/7 System Monitoring and Disaster Recovery	\$300,000	\$300,000	Included	Included
Proactive Performance Tuning	\$100,000	\$100,000	Included	Included
Application Configuration	\$500,000	\$150,000	\$250,000	\$50,000
End User Training	\$1,000,000	\$200,000	\$250,000	\$50,000
System Administration	\$450,000	\$450,000	\$75,000	\$75,000
Totals	\$5,800,000	\$2,100,000	\$2,075,000	\$1,675,000
Five Year Totals (Year 1 plus 4 Ongoing Years)	\$14,200,000		\$8,775,000	

For more information:

Veeva Systems, Inc.
4637 Chabot Drive, Suite 210
Pleasanton, CA 94588

Phone: 925-452-6500

Fax: 925-452-6504

www.veevasystems.com

