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Creating Value in the New Market with a Contract Commercial Organization (CCO)

Thought Leaders:

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Welcome to the PharmaVOICE Webcast Network.

In this episode, we hear from two thought leaders who will sketch out a major transition occurring in the area of pharmaceutical outsourcing. They believe this transition may very well shape the business of drug development and marketing.

Michael Griffith serves as Executive Vice President of inVentiv Health and leads inVentiv Commercial. He is joined by Mark Archer, Global Head of Business Development inVentiv Health Commercial Division.

I'm Dan Limbach, your host and producer of the PharmaVOICE Webcast Network.

Dan: Mark, why don't you kick off the discussion with some background on pharmaceutical outsourcing has evolved up to this point, something you're describing as an inflection point.

Mark: Thanks, Dan. Over the past 30 years or so, we've seen our clients progressively increasing the breadth of activities they're prepared to outsource. Contract research and contract manufacturing are now routinely used across the industry and they've shaped the way biopharma companies organize themselves with quite large percentages of these functions being routinely performed by partners rather than by the company's own internal organizations.

Mike, does that sound reasonable to you? Are you seeing that?

Mike: We are seeing that. I think there's pressure on the pharmaceutical company to reduce cost. They're under pressure from shareholders. They're under pressure from their own competitors. There's a significant amount of merger and acquisition activity, which is really targeted to the weaker players in the market, and there is a growing realization that the way to grow is to buy new therapies. As a result, the pharma companies are trying to figure out how to reduce their costs and at the same time not back away from programs. Part of the way they're doing that is outsourcing to find new ways, new techniques to buy geographies, to buy scale.

Mark: In the commercial area, there's been outsourcing of various tactical functions such as sales force and medical education, as well as strategic and creative work like launch planning and advertising. However, the work is often contracted and performed in quite a fragmented way with multiple players on the client side working with different providers, which can lead to inefficiencies and it's rarely optimal.

Mike: So inVentiv Health has assembled all of the services necessary to launch a drug or a device or an idea. The idea of inVentiv Health is that you can buy a single supplier who will cover the entire waterfront for you. We call that a contract commercial organization. The industries familiar with contract research organizations, which is also what inVentiv Health does, they're familiar with contract manufacturing organizations, which is something we don't do, and now we're introducing them to the concept of the contract commercial organization, which is a turnkey supplier against all of the activities that represent a launch and commercialization of a drug.

For the client, it's about simplicity and efficiency. They can talk to a single supplier who keeps all of their messages consistently communicated through all of the different functional areas that are supporting them much easier. They don't have to write as many contracts. They don't have to have as many conversations. When things change, they can turn entire blocks of work on a dime, where before they might have had to have a series of 10 or 12 or 15 conversations with different suppliers and bring them up the curve one at a time.

Mark: And the way that has been seen over the past 20 years or so, the way that that plays itself out typically is that during a typical launch of a new product, companies have thought in a very modular way, they thought let's develop the market so they put in place a key opinion leader development program. They then think we need to put in place our brand strategy, and so they hire an agency to do that. As it gets a bit closer to launch, they start thinking about their market access challenges and so they hire an agency to do that.

Each time they do that, they're adding complexity and they're increasing the risk of communication issues, which will slow up launch and reduce the quality. And then when they get to bring in the sales force, they're bringing in yet another company who won't necessarily be in tight coordination with the others.

So what we are being asked to do increasingly is to coordinate and consolidate all that to develop the market and use the knowledge in developing the market and putting in place some of the strategic functions. We're being asked to do that and then bring in the operational side as well, but in tight coordination so that we don't lose impact when the market is being prepared and when the product is being launched.

Dan: So how does this model differ when you're working with a small pharma and biotech?

Mark: We're seeing an increasing number of small companies with high valued assets often in niche specialist indications; there's been a real trend towards that. They really are looking for strong partners to support commercialization because unlike big pharma, they often don't have the infrastructure or the bandwidth or even the financial strength to attempt to do this themselves. They're looking for partners to support them.

Typically, in the past, this type of company has looked to a licensing deal of some sort or some sort of alliance with big pharma, but increasingly companies who have invested money and time and effort into developing an asset, which they value highly, is reluctant to part with it. We see an increasing trend to companies wanting to keep control of their own assets, and so they're looking for ways of commercializing without out-licensing, and so they're looking for partners who can provide the full range of commercialization capabilities.

Mike: The idea is that we can provide them with an option that they don't have otherwise. Where they might have traditionally partnered with a large pharma to gain both wallet and distribution muscle, they might now choose to work with somebody like inVentiv Health to put together a plan that's tailored to their budget. So as they're raising money, they put together a plan that they can afford. This is scaled in size according to their own budget, and they also are much more careful about how they turn on resources; where large pharma might buy five or six of our capabilities simultaneously and put them all to work all at once. The small pharma might buy five or six capabilities, but turn them on slowly only when they need them so that they can protect their burn rate of expenses and meter up, dial up resources only as they need them. So two very different patterns of buying between the way large pharma puts money to work, they tend to be later and they put it all to work at once, versus small pharma, which is earlier and brings in the functionality slowly as they need it.

Mark: One of the things we're also seeing is that the industry's changing rapidly in terms of larger pharma. We're seeing steadily increasing demand from big pharma clients to partners with more complete commercial offerings too. So big companies want to reduce the number of providers they work with. For example, they'd rather have four strong partners than 75 small ones and we've seen that. Those numbers are typical.

Mike: One of the reasons they want larger partners is they have to manage their load. If they have a cardiovascular group which launches a new drug once every two years, they have long periods of downtime between launches that provide them with excess capacity. Then when they have a launch, they find that they need incremental muscle, and so during that critical period when they need to put a lot of resources to work all at one time during that two or three-year focus period of launch (prelaunch and launch), they bring in extra resources so that they can keep their own staffing levels at a lower level. They also want the power of the number of deals that we see. Our groups might launch 50 products a year, where they might launch one every two years. As a result, we're much more nimble, we're much more aware of the pitfalls that can bedevil a launch and so by bringing in a specialist who has a lot more experience across many, many launches, they're gaining a type of partner that brings not just muscle, but also brains.

Dan: Listening to you describe this new model, it seems logical that other large CROs are also thinking about the emergence of new contract commercial organization, CCO, related business opportunities. Mike, what unique strengths does inVentiv Health bring to the table?

Mike: The unique thing that we're doing is delivering it through a single project management organization so that we can build a custom solution for each client, for each drug, for each therapeutic area, and deliver it uniquely through a single manager who's inside inVentiv Health. That manager, we call them general managers, have the ability to kick down doors, to change priorities, to move money around the system so that as the work is executed and we learn and see the impact of the work, we can adjust and modulate the work that's being done to fit the outcomes for the client. I think at least today we have a small advantage in that regard.

Dan: Very good. For the pharma company that engages the CCO, there must be important adjustments that will affect a company's whole investment strategies. Can you talk to us about the challenges and tradeoffs and explain why the contract commercial organization (CCO) approach makes so much sense?

Mike: The biggest advantage of the CCO is that you get established deep benches of credible experts. You may not need all of them, but we have all of them and we can bring them into your problems as they are needed and you don't have to hire lots and lots of redundant people or cover every base anymore. We can do that for you.

So the way they're buying us is different, again, for big pharma and small pharma, but the basic theory is the same. I get a contract sales organization at inVentiv Health, which is one of the oldest in the world with the largest market share in North America. We have over 3500 sales reps in the market. I get award-winning ad agency in GSW and Palio that have been in business for 30 years and have consistently focused on healthcare. You get public relations organizations which are 20 and 30 years old with lots and lots of 20 and 30-year-old clients in them that are on every continent and have the ability and have relationships with media in all of the parts of the world that our customers need to go to. I can give you adherence programs, data, the ability to understand the patient and the pharmacists and their behaviors. I can give you key opinion leadership through medical communications. We do payer management and market access work around the world. So our range of capabilities, including our consulting businesses, is unique and it allows you to tap into a deep reservoir of experienced executives all around the globe.

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Dan: Mark, can you characterize the advantages of the contract commercial organization (CCO) approach in contrast to the traditional licensing pathway?

Mark: Sure. I think what we've seen is that many biotech companies and small pharma companies think that out-licensing or co-development and commercialization alliances are the solution when they lack capability internally. So typically, companies in one part of the world wanting to set up in another looks for partners to license their products to. If instead of that they used the CCO approach to create scale internally, they can avoid a lot of the risks of this type of deal. It's quite well known that about 70% of alliances fail in terms of commercial partnerships. So it is quite an attractive alternative.

On that note, we see a regular stream of companies requiring urgent support to commercialize their products after having had their products rights returned to them after a licensing deal has gone sour. We've seen quite a few of those over the last couple of years. So we think it would have made sense for them to have worked with us as a CCO partner in the first place rather than have done a licensing deal and then for it have gone wrong. We think that the ability to build scaling capability by partnering with inVentiv Health as a CCO partner is a less risky and more reliable and effective approach than the traditional licensing route.

Dan: Outstanding. Well, Mike and Mark, that's all the time we have for today. I want to thank you so much for sharing your thought leadership and expertise with us. And I encourage all of our listeners to learn more about inVentiv Health by visiting their website at inventivhealth.com. And don't forget to check out our other podcasts at www.pharmaVOICE.com/podcasts.

Until next time. I'm Dan Limbach.

Podcast provided by: inVentiv Health, a global provider of best-in-class clinical development and comprehensive commercialization services, seamlessly linking the capabilities of a leading, global Clinical Research Organization (CRO) with a unique Contract Commercial Organization (CCO).