

CI in Pharma: A juxtaposition of Global Perspectives with Regional Realities

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While the pharmaceutical industry is no stranger to the public discourse of Competitive Intelligence and its growing importance, it is, however, a topic traditionally of most interest in Global Headquarters (HQ). There is a paradox, that even as Pharma companies expand their global reach by growing regional and local affiliates, dedicated CI teams remain a HQ function. But make no mistake, it does not mean that competitor insights play no role outside of US and EU HQ — rather, regional and local stakeholders have different ways of obtaining such insights for their decision-making. The “how”, and “when”, and “what”, however, remain a largely elusive picture.

Given the accelerating trajectory of globalization, and the rising prominence of emerging markets such as APAC, that can no longer be ignored by Big Global Pharma, it is now more pertinent than ever for these companies to understand: how the role of competitor insights could or should look like at the regional and affiliate levels. Also, to what extent is HQ-driven CI considered in regional and country-level stakeholders’ decision-making? Gathering evidence to delineate areas of alignment and differences between global HQ and regional levels marks the first step towards increasing the value delivered by CI throughout the organization.

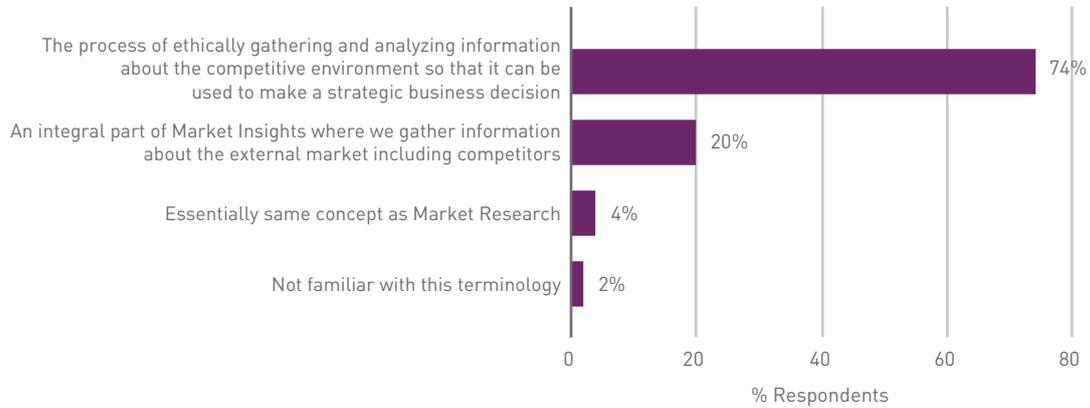
How “far” can HQ CI teams really be stretched?

When we conducted a survey in May this year with fifty APAC-based Pharma Executives across various functions with an interest or stake in CI, it was revealed that CI has a range of different definitions. While it was comforting to know that only <5% of respondents are not at all familiar with the term, there are mixed responses among the rest: 70% perceive CI as per its classic definition quoted from SCIP, whereas at least 20% think of CI essentially as a part of broader Market Insights, with the rest having the impression that CI is an interchangeable term with Market Research (Figure 1). The range of definitions given is symptomatic of the role of CI typically being less clearly defined for stakeholders based in regional or affiliate offices located outside of US and EU.

“Most companies adopt a centralized CI function located in the US and EU, but we need more tools (and resources) catering to APAC needs.” —
Strategic Planning Professional,
Top 10 Global Pharma

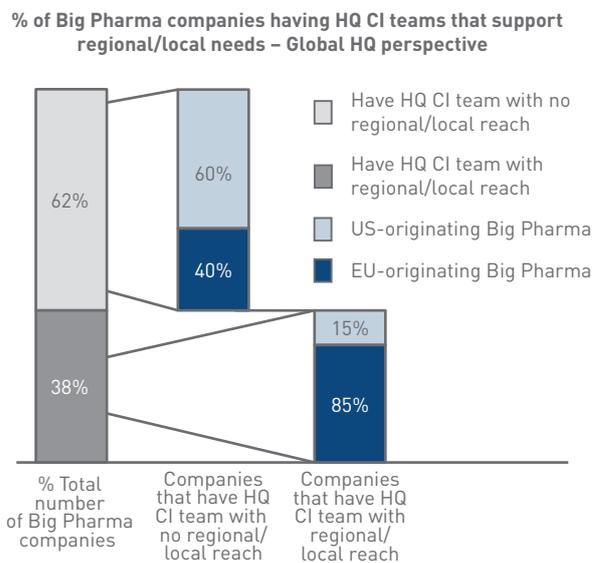
With exceptions few and far between, the large majority of Big Pharma have CI teams that are located in US or EU HQs, which therefore are better aligned to serve the needs of these markets. Given how the industry increasingly views emerging markets as drivers of potential and growth, it then begs the question of whether the current HQ-centralized model of the CI function also caters for regional or affiliate needs directly and specifically. To this point, our internal data suggest that while there is an ongoing trend for companies to drive percolation of CI support beyond HQ level to emerging markets, this is still largely work-in-progress: <40% of Big Pharma have their CI or CI-equivalent team supporting regional or local affiliates,

Figure 1: Perceptions of the term "Competitive Intelligence" in APAC

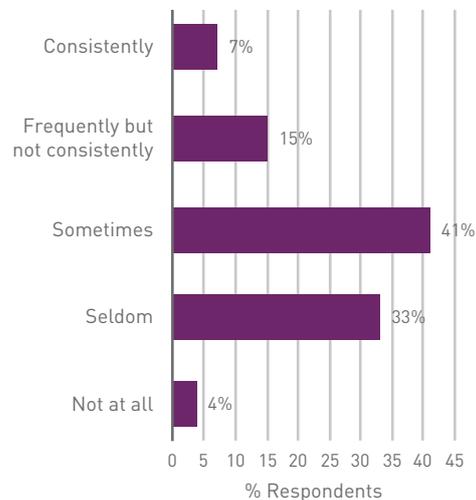


and interestingly (though not entirely surprisingly), these are almost exclusively EU-originating Big Pharma (Figure 2). This corroborates broadly with our APAC survey, in which close to 80% of respondents indicated that they receive support from the HQ teams for local market efforts "sometimes", "seldom", or "not at all" (Figure 2).

Figure 2: Geographical reach of HQ CI Function



Extent to which HQ CI team supports local market efforts – APAC perspective



There is always the \$ issue

Naturally, this HQ-centric model of CI support has its implications — regional and local stakeholders are generally left to their own devices where budgets funding such efforts are concerned. While it is common for global CI teams to gather insights about the competitive environment through independently commissioned research initiatives,

“There are typically limited budgets available with local affiliates, because of their relatively smaller market sizes that are deemed to make operations unprofitable.” — Analytics and Commercial Excellence Executive, Global Top 10 Pharma

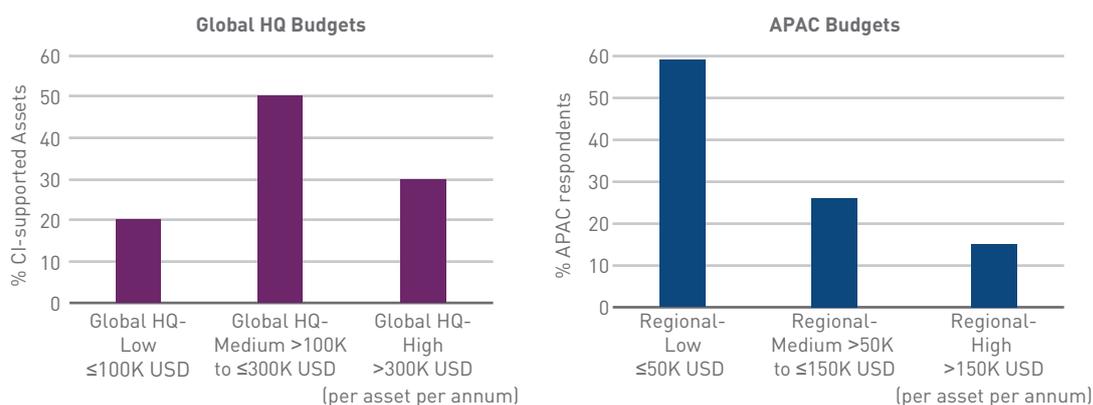
either in-house or outsourced, the picture looks quite different in APAC. One-third of our APAC survey respondents reflected that competitor insights are typically gathered as a component of broader MI research (30%); only one-fifth mentioned the use of competitor insights-focused independent research (20%), and the rest usually leverage existing in-house market knowledge (24%), seek assistance from local affiliates (15%), or employ a combination of all these methods (11%) (Figure 3).

Figure 3: How are Insights regarding the Competitive Environment gathered in APAC?



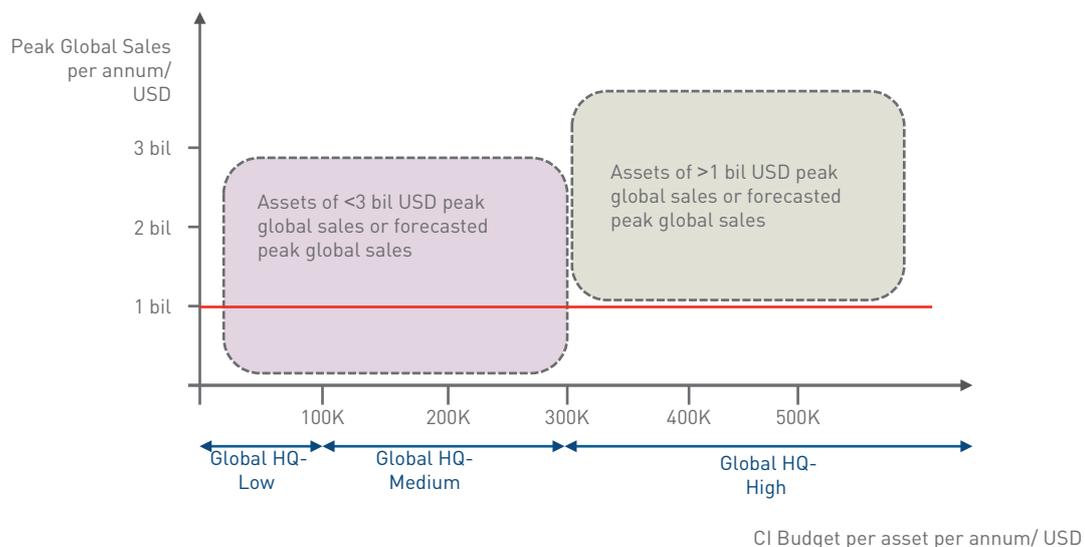
Undeniably, the manner by which competitor insights are gathered is chiefly connected to, or plainly restricted by, the availability of internal budgets, which accounts for the reason why they are typically a part of wider projects in APAC. In terms of competitor insights-specific standalone research initiatives, approximately 60% of APAC stakeholders pointed out that budgets are in the “Regional-Low” range ($\leq 50K$ USD per asset per annum), 26% reported budgets that are in the “Regional-Medium” range ($> 50K$ to $\leq 150K$ USD per asset per annum), 15% in the “Regional-High” range ($> 150K$ USD per asset per annum). It is interesting to compare these regional findings against our internal data at the global HQ level, where more than 50% of the CI-supported Big Pharma assets analyzed are allocated a somewhat healthy “Global HQ-Medium” budget range ($> 100K$ to $\leq 300K$ USD per asset per annum), with only 20% of CI-supported assets falling in the “Global HQ-Low” budget range of $\leq 100K$ USD per asset per annum (Figure 4).

Figure 4: Budgets dedicated for gathering Insights regarding the Competitive Environment



Furthermore, our internal analysis provided empirical evidence to a long-standing hunch that the allocation of CI budget can be based on the market value or predicted market value of an asset (assuming intensity of competitive environment to be a constant). From the HQ perspective, market value is measured by global sales, and we found that, a) products of <3 billion USD global sales are typically allocated budgets in the “Low to Medium” range; b) only assets ≥1 billion USD global sales are granted “High” range budgets (Figure 5). If APAC or other emerging markets’ CI budgets are justified by means of estimating regional sales as a fraction of global sales, it is no wonder that regional or local stakeholders find themselves hard-pressed to secure budgets bigger than they currently stand. As quoted from a Singapore-based Pharma executive, “Asia contributes a relatively small proportion of global revenues, so it is difficult to justify increase in local CI spending”. This rationale does however not allow for the complexity and untapped potential of emerging markets such as APAC, which require resources to build in-house CI expertise, capabilities and collection infrastructure, before the value of CI can be fully realized to this region and beyond.

Figure 5: Typical CI Budget Ranges for Assets with different Peak Global Sales



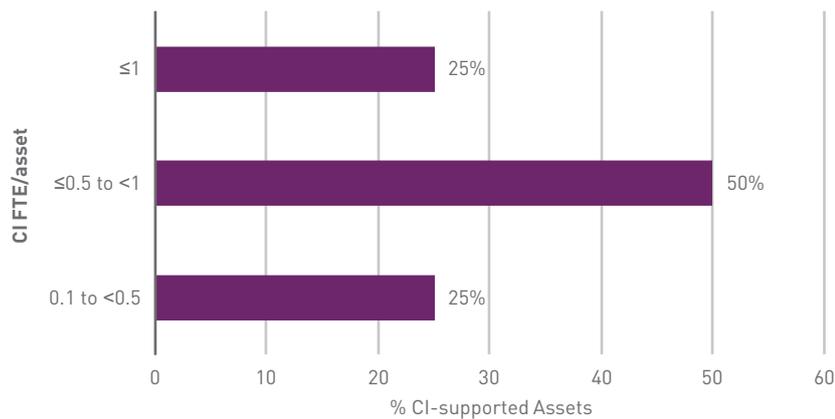
...and also the manpower issue

CI as a corporate function is not a regional or local phenomenon, but rather a strategic tool employed “frequently but not consistently” for decision-making as indicated by ~50% of our APAC respondents. We deem it premature to rigorously quantify FTE utilized for CI efforts in the region. To the contrary, such an exercise is feasible and also meaningful at the global HQ level, where our internal analysis highlighted that 50% of CI-supported Big Pharma assets are assigned with 0.1 - 0.5 FTE, another 25% of assets receive ≥0.5 to 1 FTE

“Limitation (for CI to mature in APAC) is that, in a bid to cut cost, CI personnel are often not retained in the country as (this function) is treated as a redundancy.” — Strategic Project Manager, Top 10 Global Pharma

of CI support (usually assets with >2 billion USD global sales), and the remaining 25% of assets are allocated ≥ 1 CI FTE (Figure 6). These HQ-level data points can potentially be utilized as a benchmark for regional considerations and discussions with regards to CI FTE allocation to decision-makers, albeit with local adaptations.

Figure 6: CI FTE per asset (Global HQ)



Different tools for different purposes

Historically, product-level support has been the stronghold of CI function, where its applicability and value are perceived to be the most obvious. This trend is unlikely to go away and it should not, as competitor insights are critical and instrumental in helping brands compete in the ever increasingly crowded marketplace. Based on conventional CI practice, there are four broad categories of service offerings generally cover most business needs, a) ad-hoc projects supporting specific business decisions, b) conference coverage where primary research is conducted at conference settings,

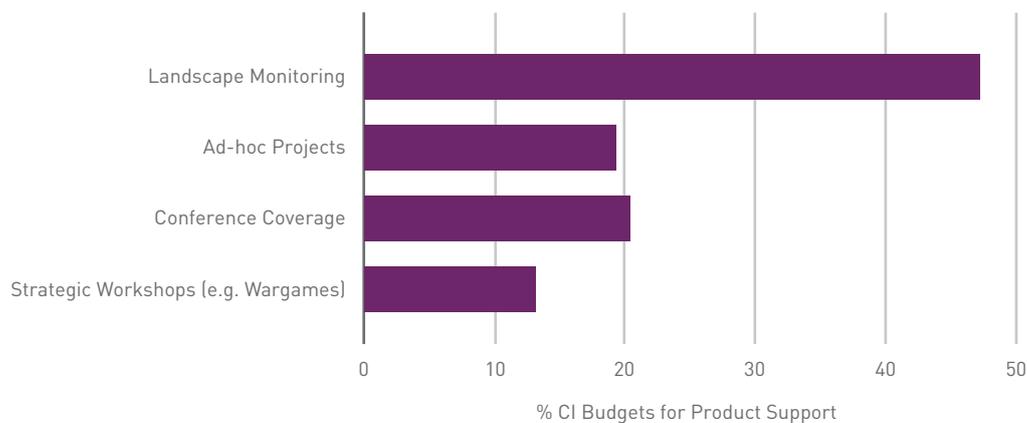
c) landscape monitoring where primary and secondary research are conducted on a regular basis to keep abreast of real-time developments within a disease area or landscape, d) strategic workshops such as war games where critical decisions are evaluated and formulated based on considerations surrounding the competitive environment.

Interestingly, as per our internal analyses, in terms of product-level support, even though there are a large volume of ad-hoc projects, landscape monitoring is in fact the CI work-type that takes the largest slice of CI budgets. In fact, close to 50% of budgets for product-level CI support are spent on long-term (>6 months) monitoring of particular landscapes for competitor moves, evolving marketplace dynamics, and preemption of market changes in order to develop strategic contingency plans. Though applicable across all stages of an asset's life-cycle, this category of CI work is particularly pertinent and relevant for assets performing near- or at peak,

“CI is more and more important especially during the patent cliff period to defend (ourselves) against generics and biosimilar; we have to bear in mind that APAC's situation is quite different from global.”
— Commercial Excellence Executive, Top 10 Global Pharma

where there is most value in terms of keeping constant tabs on competitive forces to inform tactical decisions maximizing or maintaining assets' market performance. In addition, landscape monitoring is also heavily utilized to support strategic LCM decisions, for which Big Pharma seeks to monitor imminent threat such as biosimilar or generic entry. Meanwhile, ad-hoc projects and conference coverage account for 20% of CI budgets for products, respectively; and strategic workshops (war-games/scenario-planning/workshops) account for the remaining 10% (Figure 7).

Figure 7: CI Service Offerings for Product Support (Global HQ)



As for APAC Pharma stakeholders, ad-hoc projects are the type of CI work that is most commonly commissioned, because they are versatile, adaptable and hence easily tailored to region- or country-specific market needs. The other three service offerings are largely restricted to initiatives carried out at the global HQ level, where budgets are available, and where such work types assume greater relevance due to a variety of reasons. Nonetheless, there are lessons to be learned from global HQ's employment of CI tool mix that, when adapted to the regional or country scenario, has the potential of being equally if not more valuable.

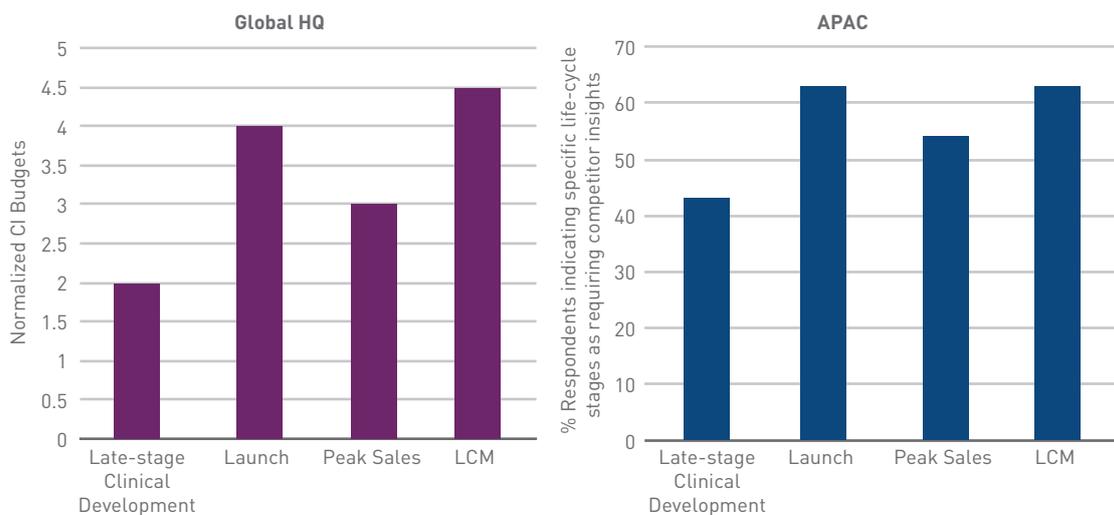
Not all life-cycle stages are handled the same way and rightly so

One aspect that is exceptionally well-aligned between global HQ and APAC regional stakeholders, is their tendency of earmarking more CI resources for assets within specific life-cycle stages. According to our analyses at the global HQ level, assuming all CI-supported assets face high intensity competitive environment, highest CI budgets are usually dedicated to assets facing biosimilar/generics threat and/or having significant LCM investment decisions to support. This is followed closely by budgets pledged for products at launch, where a thorough and updated understanding of the competitive environment is crucial for brands to be poised for a strong market entry. These trends are mirrored in APAC, where the highest % of respondents indicated competitor

“New product launches are, in my view, where CI can really play a meaningful role.” —
Commercial Director, Top 10 Global Pharma

insights to be an imperative for supporting products at launch, and also for generics/biosimilars defense. For both global and regional stakeholders, assets in late-stage clinical development typically receive the least amount of CI support, which is understandable given the relatively high levels of uncertainty concerning these assets' eventual market performance and value (Figure 8).

Figure 8: CI Support for Assets in different Life-cycle Stages



Going the extra mile beyond brand support

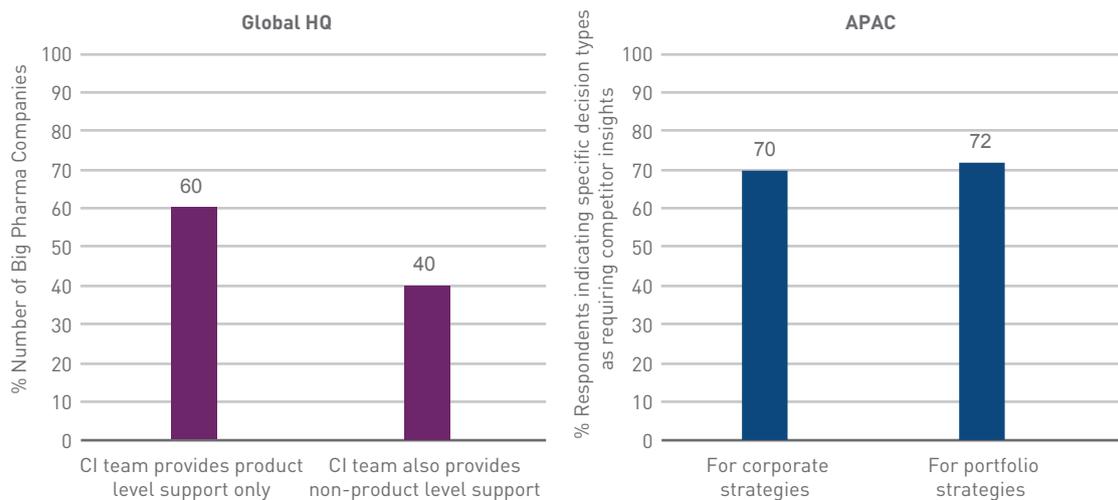
Big Pharma are beginning to realize that competitor insights are too valuable and useful a tool not to be leveraged for other avenues, including high-stake corporate decisions. At the global HQ level, we found that 60% of Big Pharma have their CI functions undertaking non-brand initiatives in addition to product support (Figure 9). For these companies, CI personnel dedicate, on average, 20% of their time in non-brand support work where competitor insights also has strategic impact.

“We need more insights into the interdependency of various market factors to understand the entire end-to-end value chain.” — Business Development Manager, Global Top 10 Pharma

On the other hand, our APAC survey revealed that competitor insights appear to be regularly utilized in the region for decisions beyond brand or product level. A large majority of our regional or local respondents (70%) provided feedback that insights regarding the competitive environment play an important role in corporate and portfolio decisions (Figure 9). Indeed, based on our experience in the industry, contrary to global HQ-based CI functions that usually commission competitor insights-focused projects catering for specific assets or brands, regional Pharma stakeholders spearhead broader projects supporting brand-transcending decisions with competitor insights considerations. Classic examples of such research projects include market entry feasibility studies to support portfolio decisions, or, assessments of domestic manufacturing supply chain

dynamics to inform corporate outsourcing and vendor decisions. This regional trend could probably be attributed to asset-level budgets being limited, providing an impetus for regional stakeholders to embark on projects with a wider scope so as to “gain more bang for their buck” spent on insights regarding the competitive landscape.

Figure 9: Leveraging Competitor Insights beyond Brand Support



Moving Forward: CI in Global and Regional

Quite unlike CI as a dedicated function at the global HQ level, CI as known by regional or local stakeholders assumes the form of a concept or tool that is increasingly appreciated to be valuable. No doubt some steps in driving a consistent corporate CI culture have already been taken, but it remains immensely challenging to give the purpose and value of CI visibility beyond US or EU-based global HQs. In order for competitor insights to be optimally integrated as a business tool delivering strategic impact, Pharma decision-makers in emerging markets have to straddle a unique set of challenges that necessitate an expansion of CI resources, internal infrastructure and expertise. Undoubtedly, these are bold measures to be taken, but for Pharma companies serious about making headway in emerging markets, these could be an investment well worth exploring.

“CI should be incorporated into all decision-making instead of (having people) just looking at it as a (corporate) function to seek assistance from.” — Strategic Intelligence Executive, Top 10 Global Pharma