

MIDDLEMEN

BRING IN THE

Third-party consultants are an enduring part of the business landscape.

These independent mediators can **HELP MANAGE THE RELATIONSHIP BETWEEN CLIENTS AND SUPPLIERS**, creating a **MORE EFFECTIVE AND LONG-LASTING PARTNERSHIP**.

OUTSOURCING is a way of life for the pharmaceutical industry. From the early stages of a potential product's life cycle, through launch, and throughout the years of patent protection, companies use outside sources to assist with research, development, launch preparation, advertising, marketing, public relations, medical education, e-promotion, and the list goes on. At any time after launch, a pharmaceutical company may be working with several agencies and marketing firms on a single product. With so many partners to deal with, it's no wonder that there is some inconsistency in the communications between client and agency, that tensions and problems arise, and that relationships become strained.

Enter the third-party consultant, sometimes referred to by those in the industry as a type of marriage consultant or mediator, who often is brought in to make the relationship between the pharmaceutical company and the outside supplier as strong and long-lasting as possible. Some companies provide this service through their procurement or marketing operations departments. Others may rely on an outside source.

"One of the advantages that we have seen is



a consultant can play the role of a confidant,” says Mike Thyen, manager of global procurement for marketing at Eli Lilly & Co. “They can focus on exposing problems in a way that can get internal company people or agency people to open up on issues that would be tough for someone normally to do. A consultant can be very good at expanding, analyzing, and advising on the root cause of a problem.”

But casting the third-party consultant as mediator would be simplistic. Consultants can be brought in to improve processes and productivity, solve problems, manage projects, provide expertise and best practices, and offer guidance.

Larger pharmaceutical companies that have multiple brands ordinarily work with several companies to promote those brands. That can cause inconsistencies, not only in the marketing messages, but in agency/client dealings.

Add to that the difficulties that arise when mergers take place and two or more once separate entities evaluate the types of marketing messages they are communicating and how they plan to consolidate those messages.

“Much of the value we bring is to help pharmaceutical companies manage marketing communications resources in the most accountable, efficient, and productive way,” says Rod Hanlon, chairman of Wanamaker Associates.

An **OUTSIDE** Perspective

Consultants can bring objectivity and a fresh perspective that might be missing in the relationship between client and agency.

“A third party can provide a fresh set of eyes,” says Brad Patten, executive director of pharmaceutical sales and marketing at Ventiv Health. “When people have a good working relationship, there’s a level of familiarity that at times has the potential to become too comfortable and perhaps lead to less than objective decision making.”

That outside perspective can allow a consultant to pinpoint a potential area of concern or opportunity and help the other parties work through any points of contention.

“The most important thing that I can do as a research consultant is to share insights and to offer analysis that not only identifies a problem, but opens doors to potential solutions,” says Joyce Rivas, director of research and brand planning at SFGT Advertising Inc.

▶ AGENCIES AND CONSULTANTS OFTEN ARE HESITANT TO FULLY EMBRACE ONE ANOTHER WITHOUT UNDERSTANDING SPECIFIC CAPABILITIES, RESPONSIBILITIES, AND QUALIFICATIONS. IT'S IMPORTANT TO HAVE CLEAR ROLES OUTLINED TO CREATE A STRONG WORKING RELATIONSHIP.



▶ OUR RELATIONSHIPS WITH OUR CLIENTS ARE SACROSANCT — THEY ARE CENTRAL TO OUR SUCCESS. SO ANY THIRD PARTY THAT JOINS THAT RELATIONSHIP HAS TO BE NEUTRAL AND IMPARTIAL AND HELPFUL TO BOTH SIDES.

Most consultants are adept at problem solving and project management and are able to devote their attention to specific projects. As outsiders to the pharma/agency relationship, they may, at times, be better able to focus on problem solving around specific tasks and projects in the event an agency and client may have different approaches and opinions.

When undertaking a given assignment, third-party consultants should educate themselves on the nature of the agency/client relationship. Their main focus should be to help both parties reach amicable solutions.



◀ ANYTHING THAT A CONSULTANT CAN DO TO SUPPORT, DEVELOP, ENHANCE, AND HELP THE RELATIONSHIP BETWEEN THE CLIENT AND THE AGENCY SHOULD TRANSLATE INTO A STRONGER OUTPUT AND THEREFORE A MUCH LONGER AGENCY/CLIENT RELATIONSHIP.



“Consultants are not there necessarily to make friends or get caught up in political turmoil; they’re there to manage a project,” says Paul Allen, managing partner of life sciences at Clarkston Consulting.

Hao-Chau Tran, a partner at Front Line Strategic Consulting, says because a consultant’s mandate is to be strategic, he or she can identify opportunities and ultimately help position companies or divisions for future success.

“Because consultants provide objectivity and use multiple research tools to generate their recommendations, they can help agen-

► THE INDUSTRY, IN GENERAL, HAS BEEN PARED BACK TO THE POINT WHERE SOME IN-HOUSE RESOURCES AREN'T FINANCIALLY VIABLE ANYMORE, THEREFORE CONSULTANTS BECOME A GOOD SOLUTION.



Joyce Rivas

▼ WE MIGHT HAVE A CONSULTANT COME IN TO DO A SIMPLE STANDARD ANNUAL AUDIT BECAUSE WE JUST DON'T HAVE THE TIME OR PEOPLE TO DEDICATE TO THAT PROCESS. HOWEVER, WE DISCUSS THIS WITH OUR AGENCY, SO THEY DON'T FEEL AS THOUGH WE DROPPED A BOMB ON THEM.



Brian Patten

▲ MOST INDUSTRY CONSULTANTS HAVE A DEEP AND VERY BROAD VIEW AND EXPERIENCE WITHIN THE PHARMACEUTICAL INDUSTRY, AND AS A RESULT THEY ARE ABLE TO MANAGE THE TURF ISSUES, THE POLITICAL ISSUES, AND SOMETIMES THE PERSONAL ISSUES.



Mike Thyen



▲ THE ROLE OF THE CONSULTANT IS EVER EVOLVING BECAUSE WE HAVE TO MAKE SURE THAT WHAT WE'RE BRINGING TO OUR CLIENTS IS SOMETHING THAT THEY'RE WILLING TO SPEND MONEY ON, AND THAT IT IS A PROCESS THAT THEY DON'T HAVE INTERNAL RESOURCES TO DO THEMSELVES.

the leading edge of best practices, help the industry stay on its toes — be it agencies or companies — and make sure that the greatest value from the relationship between the company and the agency is being realized," Mr. Thyen says. "Consultants help us to engage in more thought-provoking discussions about next-generation best practices."

John Cassimatis, VP responsible for FCG's life-science performance improvement practice, says, "in addition to bringing an independent viewpoint, consultants can offer thought leadership on trends and industry best practices. Because they work with multiple clients and across industries they can bring real-life experiences regarding what works and doesn't work. Finally, they can be change agents by bringing fresh ideas and experiences to clients that may often be skeptical and nervous about change."

Kenneth Barry, executive director of global marketing communications at Pharmacia Corp., says a consultant's broad perspective from working with many clients, agencies, and often industries, is hugely beneficial when addressing a range of issues.

"An individual who has that kind of experience has a breadth of understanding of issues and circumstances and the rhythm of what's going on in the industry," he says.

For pharmaceutical companies, acquiring the necessary skill set to bring the different pieces of the marketing puzzle together into a cohesive plan can be challenging. Ms. Tran cites an example of how consultants can bring cohesion to that marketing plan when one client used four different agencies to assess its market opportunity in the United States.

One agency focused on physician reaction to a product, a second conducted patient and thought-leader interviews to assess what messages would resonate with both communities, a third developed a forecasting tool to project adoption curves and revenue estimates, while a fourth agency investigated the patient base and potential competition for those patients.

"Ultimately, Front Line was asked to aggregate all of the resources collected, refine the forecast models and assumptions, and quantify the opportunity under various success scenarios," Ms. Tran says. "We used the different forecast scenarios to map out alternative marketing scenarios for the client. These ranged from marketing themselves to copromotion to out-licensing. By leveraging a strategic consultant, the client's team was able to synthesize the data very quickly and develop a strategy for the business."

One area where consultants often offer best-practice expertise is in information technology.

cies take a fresh look at their campaigns, better target audiences, and refine the overall message," she says.

Best PRACTICES

Pharmaceutical companies often are organized into divisions that focus on specific brands or therapeutic categories or disease states. At times this siloed structure can mean that the bigger picture of how to align an overall communications message can get lost. The consultant, however, is usually working across

a variety of not only companies but industries and is able to devise and implement some of the best practices across the board.

"Consultants can play a role in making the relationship process between the client and the agency work better because they bring a lot of third-party experiences to the table," says Arthur Anderson, managing principal at Morgan Anderson Consulting.

For pharma companies, that means having access to industry practices that will help their businesses excel.

"Consultants can help companies stay on

“Consultants offer a lot of depth around a particular system process or application, and if the consultant is good and has worked with that application in the past, he or she can give some good guidance as to how to modify business processes to support the application,” says Gene Dorff, VP of strategic planning and initiatives at Johnson & Johnson Health Care Systems. “They also can advise as to the pitfalls because they’ve seen them — whether it’s a systems pitfall or a business process pitfall or a software product pitfall.”

The best practices or expertise a consultant provides can be particularly valuable to emerging pharmaceutical companies as they begin to prepare for launch of a product.

“We just created a complete launch marketing plan for an emerging pharmaceutical company in the dermatology area,” Mr. Patten

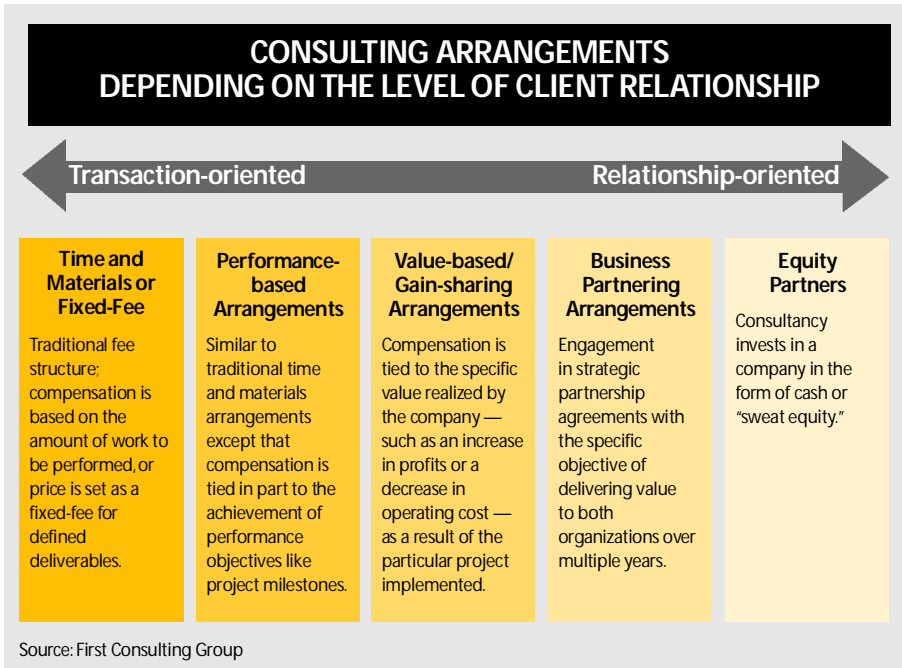
says. “We put a program together to prepare the market for the brand, including, as an example, advocacy development, speaker bureau development, platform skills training, as well as content management for faculty.”

One area where companies and agencies need to exercise particular caution is with

learn best practices in the appropriate way to keep records. Pharma companies and agencies can take advantage of the knowledge base that a consultant comes in with to make sure that what they’re doing is the most efficient way and process and is appropriate in accordance with whatever regulations there are.”

regard to industry regulations.

“Third-party consultants can be very useful and add value to both the marketing communications folks and the agency people in ensuring that whatever programs are being put in place are done so with close knowledge and understanding of those regulations,” Mr. Allen says. “A third-party consultant typically is able to get access to, or to



Mr. Dorff says he has found consultants bring great value on current industry knowledge or industry practices, which is important given today's business climate.

"The regulatory environment has certain requirements for the pharmaceutical industry," he says. "Many of these rules and laws are dynamic, or they're very complex to understand. What consultants typically do is bring depth to that, and that depth is very important for a pharmaceutical supplier in determining the business processes to support certain regulatory or other business requirements."

Additionally, because of their varied experience,

consultants often can predict industry trends. According to one industry expert, a good consultant offers thought leadership, not only for what is going on in the industry at the moment, but also for what the key trends might be in three or five years. That might involve opening new marketplaces for a client.

Selecting and MONITORING

Developing the relationship between a pharmaceutical company and its agency or

agencies is paramount. Pharmaceutical companies understand the value a consultant can bring, not only to the agency selection process, but also to monitoring the relationship and helping overcome areas of contention, such as compensation.

Today, many consultancies have experienced, ex-agency staffers in place who can offer agency management expertise.

Mr. Barry says this expertise might be in the search and selection process, or on the contracting, compensation, and evaluation side.

"Because compensation is such a big issue with both clients and agencies, we've found

Early Consultation

CONSULTANTS ARE BROUGHT IN TO HELP THE PHARMA CLIENT NOT ONLY ON THE PROMOTIONAL SIDE, BUT ALSO EARLY IN THE PROCESS ON THE DRUG-DEVELOPMENT SIDE.

With patent expirations, increased competition, and a heightened focus on earnings, companies are under pressure to develop new compounds. One of the major impediments is patient recruitment, a problem that causes costly delays in clinical-research studies. Every day that a company's drug is delayed in a study results in about \$40,000 in direct costs and more than \$1 million in market opportunity, according to Caroline Maynard, consultant on the strategic services team at BBK Healthcare Inc. This means the industry must find ways to reduce delays and streamline the clinical-trial process.

Ms. Maynard says where consultants can help the pharmaceutical industry is in providing value on what she refers to as the first dollar spent. By first dollar spent, she means involving a consultant from the start on what to do to make study enrollment a success, instead of leaving recruitment up to the sites, taking a wait-and-see approach, and involving consultants later on, which she defines as last dollar spent.

"Often clinical-project managers find themselves in the situation of needing to find patients for a study, but they don't necessarily know the best way to do that," she says. "Consultants have been able to come in early in the process and assess the protocol, and give some feedback as to whether the protocol is realistic, or too burdensome for patients."

Long before a research study begins, consultants also can help a pharma company identify sites that are best suited to that particular study.

"Pharma companies often will choose sites based on their past performance or whether the investigator at the site is a thought leader," she says. "But those aren't necessarily indicative of how well sites will recruit. An outside consultant can come in and perform an independent, unbiased evaluation based on factors that are directly related to recruitment."

A further challenge for companies lies in bringing together disparate groups of people, from internal staff, to CROs, the sites, outsourced labs, and others involved in the process.

"A consultant can come in and not only give a company feedback on how to set itself up internally to be successful, but also how to structure the study to be efficient and effective," Ms. Maynard says. "Communications between the various groups, particularly on global studies, can be a huge challenge, and that's not always something that's considered. Consultants can help establish clear and timely communications channels among all parties involved."

Time-saving measures can lead to substantial cost savings for the industry. A study in September 2002 from the Tufts Center for the Study of Drug Development assessed what reductions in time and increases in success rates are needed to yield a given reduction in cost. For example, a \$100 million reduction in total capitalized cost per approved drug could be achieved by either a 19% decrease in all phase lengths or an increase in the clinical success rate from 21.5% to about 25.5%.

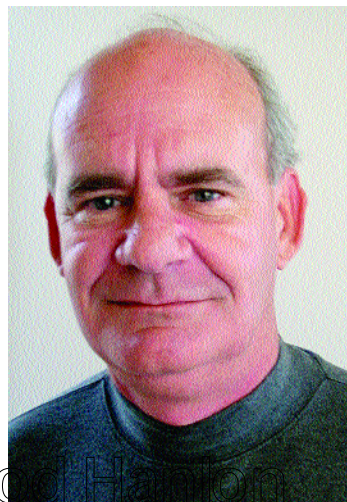


CONSULTANTS CAN HELP PHARMA COMPANIES TO REALIZE THAT A CLINICAL-RESEARCH STUDY DOES NOT FOLLOW A LINEAR PROCESS, BUT INSTEAD A DYNAMIC PROCESS THAT REQUIRES CONTINUAL EVALUATION AND MODIFICATION. CONSULTANTS CAN ADD A LOT OF VALUE ON THIS END.

► THE OBVIOUS VALUE THAT CONSULTANTS BRING IS AN ALMOST IMMEDIATE INCREMENTAL SUPPORT FOR PROJECTS OR INITIATIVES.



Gene Dorff



Robert Hanlon

▲ BECAUSE WE WORK ACROSS NOT ONLY A WIDE VARIETY OF PHARMACEUTICAL COMPANIES BUT ALSO A WIDE VARIETY OF INDUSTRIES, WE BRING A KEY ELEMENT OF OBJECTIVITY. MANY COMPANIES TEND TO HAVE THEIR OWN CULTURE AND THEIR OWN WAY OF THINKING, AND AN OBJECTIVE VIEW THAT QUESTIONS AND CHALLENGES THAT THINKING CAN BE VALUABLE.

▼ CONSULTANTS CAN ADD A LOT IN TERMS OF DEFINING BEST PRACTICE WORK PROCESSES AND HELPING CLIENTS MANAGE THE PROCESSES BETTER.



Arthur Anderson

consultants extremely valuable in helping us think through compensation patterns and helping us deal with a framework for compensation," he says.

Furthermore, he says, consultants can often identify issues of concern before they even arise.

"In the rush of doing business we're pell-mell on trying to get work done and projects out," he says. "A good third-party consultant offers a greater level of awareness and can identify that there might be an issue that ought to be addressed before it becomes a problem."

Rich Levy, CEO of Adair-Greene, believes consultants can provide a more-than-fair starting point when it comes to agency selection.

"We've all been in very long, onerous pitches in which the agency selection is a foregone conclusion, but the pharma companies have to demonstrate that they've talked to a certain number of agencies," Mr. Levy says. "If companies bring in a consultant, we believe that there's probably a more even playing field."

The downside, he says, is that consultants often have a fairly limited view of healthcare agencies.

"Consultants often get to know the top five

or 10 largest agencies and constantly go to them," Mr. Levy says. "They won't necessarily take a look at the therapeutic category, or evaluate whether a small- or medium-size agency would be beneficial."

David Winigrad, president of The Hal Lewis Group, says if the third parties can truly balance the business objectives of both the client and the agency in a fair and impartial way, they can be very valuable.

"But if they are employed by and work for a pharmaceutical company, I think consultants find themselves in a situation where it's very difficult for them to be even-handed; their agenda tends to be pharma's agenda, and in that situation agencies can feel tremendous pressure to acquiesce to their demands," Mr. Winigrad says.

Mr. Hanlon says in addition to providing management systems and tools to ensure accountable and efficient management of the agency/client dealings, third parties also conduct performance evaluations.

"This is where the two sides reflect how they are doing, how the client believes the agency is doing, and how the agency believes it is performing," he says. "We look at where the gaps are and how we can solve problems

and identify improvement opportunities in the relationship."

Unfortunately, there is skepticism about how a consultant may impact the agency's relationship with the client, and how processes and recommendations put in place by a consultant have a unidimensional focus toward the bottom line and not the larger issue of the partnership and quality of work.

"Where consultants can be problematic is if their mission is purely or principally economic, by that I mean that they are charged solely with reducing costs," Mr. Winigrad says. "In those situations consultants tend to reduce what advertising agencies do to a commodity, and we become purely a cost calculation. Certainly, there is an economic component to the relationship, but that is not the only metric on which the relationship should be judged."

Effective KNOWLEDGE Transfer

Though pharma clients say the consultant can bring enormous value to the business, they stress it is important that consultants be will-

ing to teach, and individuals within companies be willing to learn, some of those core competencies.

"There is a disadvantage if the client doesn't want to learn enough about the business because an informed client is going to be a better client for that consultant," Mr. Barry says.

"The danger is that by relying on consultants and arbitrators, companies fail to get to the root cause of why it is they need to bring in a consultant in the first place," Mr. Thyen says. "Hopefully, the use of a consultant will highlight the specific expertise or capacity that is needed to deal with an issue. Management can then make the decision to internally resource and develop the capability or continue to rely on external consultants, as needed."

But pharmaceutical company executives note that the transfer of knowledge is not only in the client's interest, but also the consultant's. Consultants who return time and time again to a company say they aren't rehashing the same message, but rather are offering new competencies.

"Consultants teach clients how to do things and then develop new ways to enhance the process," Mr. Anderson says. "If a consul-

tant isn't continuously adding value, he probably won't work for that client anymore."

One of the ways consultants pass along knowledge is through training, often bringing all the disparate players into one program. Mr. Hanlon says Wanamaker has been conducting marketing training for one company for the past four or five years in which promotion managers and product managers are taken through all the elements of marketing expertise and marketing strategy.

"As part of that program, we used the client's actual agencies to assist in the training," Mr. Hanlon says. "We bring in the managed-care agency, the branding agency, as well as the healthcare and consumer agencies. It is a multireach training program, which helps those involved know what resources are out there and how to interact with and manage those resources. It also helps to cement relationships with those participating in the training by giving them an opportunity to get to know one another better."

COST Analysis

One of the key roles of a consultant is to help a client find ways to cut costs.

"Pharma companies are realizing that some of the processes, activities, and systems that they need to support their organization can be developed, operated, and managed more efficiently and cost effectively by a third-party consultant than by their own employees," Mr. Cassimatis says. "As pharma companies are looking to outsource certain 'noncore' processes and systems to become more streamlined and efficient, the consulting companies have responded by developing outsourcing service offerings."

Some consultancies have established an incentive-based approach to client billing. According to some industry experts, there is a trend toward offering an incentive-based fee arrangement, whereby the consultant would cut the company's costs by, for example, 35% and would get 5% to 10% of the amount realized.

One consultant says this approach is relatively straightforward in purchasing areas, because the consultant is squeezing out a little bit from each of the suppliers by condensing the supplier portfolio so there are fewer partners.

It is this squeezing, however, that has blemished the consultant image recently. The

cost of hiring a consultant to negotiate fees and generate savings has to come from somewhere, and it often comes out of agency compensation.

"Over the past few years, clients have been dictating what they're going to pay and they're driving down the hourly rates," Mr. Levy says. "Yet they still want senior-level team members working on their business."

In these circumstances, consultants need to find a benefit for the agency as well as the client or they will succeed only in damaging the client/agency relationship.

That requires a consultant to make recommendations and work with the partners on a plan of action.

"We'll work with an agency as well as a pharma company and put a plan of action together remaining as part of this triumvirate

in executing that plan," Mr. Patten says. "Beyond that, due to how we do business with our client partners, if they are successful we share in that success and we all win. When we don't both achieve success we lose. Consultants are only as successful as we can make our partners — both the agency and the pharmaceutical client."

Mr. Thyen says cost is an issue all companies have to consider when bringing in a consultant.

"We do need to look at the fee versus what it would cost to realign our internal priorities to do an assignment, because it is expensive to pull outside parties in," he says.

Mr. Dorff agrees that cost is a consideration, but says the way to ensure best value from the consulting relationship is to have clear goals up front.

"Having the goals specified up front and managed to the agreed timeline is critical," Mr. Dorff says. "Projects that go on and on with 30-day and 60-day extensions are not good for the organization because management starts to question why there are always extensions, and that's not good for the consulting relationship."

How much a consultant costs a company obviously depends on the scope of the assignment. One consultant notes that projects can range from about \$10,000 to prepare a workshop to a seven-digit figure to develop a highly customized, global solution for a pharmaceutical client. ♦

PharmaVoice welcomes comments about this article. E-mail us at feedback@pharmavoices.com.

Experts on this topic

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