

# Strategic commercialization

The complexities of today's financial markets, as well as growing FDA and market pressures, have made Rx drug introduction a riskier proposition than ever before.



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**D**espite the current financial turmoil, emerging and smaller pharmaceutical companies are finding that the value of their viable pipelines opens up many doors to commercialization.

Many companies pursue co-promotion deals with an established player as a way to share the risk of bringing drugs to market. Such deals eliminate the need to build infrastructure or raise additional funds. As attractive as these deals can be – and there are many successful ones, such as Johnson & Johnson's and Amgen's collaboration on J&J's Procrit and Amgen's Erythropoietin, or ICOS and Eli Lilly's joint venture on Cialis – co-promotion does come with its own set of problems. Culture clashes, lack of control, sacrifice of net present value (NPV) to shareholders, and the stifled development of independent relationships with certain physician targets are just some of the issues that tend to surface in these deals.

For many, outright licensing of their patented technology to another pharmaceutical company is the route to follow. Unlike those who pursue co-promotion, licensors are primarily interested in the research and development of viable products and the profit potential represented. They are not vested in the commercialization process, nor do they have an interest in developing the infrastructure to get there.

When licensing, finding the right partner and striking the best deal is key. Primary care products are generally best licensed to major pharmaceutical companies with strong

primary care sales teams in place, while specialty medications can do quite well with smaller pharmaceutical companies with deep specialist expertise.

## The right partner

Negotiated deals can include a product-by-product option, payments throughout the lifecycle, R&D funding, and equity investment. In many instances, deals are being struck where the licensor maintains co-marketing rights; for example, marketing to specialists while the licensee markets to primary care.

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Like co-promotion, licensing comes with similar drawbacks for pharmaceutical companies: a lower NPV than if they took the drug to market themselves, and lack of creative control and development of independent physician relationships.

Based on the risks associated with co-promotion and licensing deals, ‘going it alone’ may be the best commercialization option for many from both a cultural and financial perspective. Certainly going it alone offers the highest potential NPV; it allows companies to build a successful commercial capability; and it creates investor confidence and generates opportunities to pursue other deals. The inherent risks to this strategy are self-evident. In going it alone, financial resources are needed to absorb all the development and go-to-market costs,

and the company faces the commercialization risk alone, which is compounded when there is a lack of commercial infrastructure and expertise.

## Mitigating risk

One way to mitigate these risks is to work with an outsourced contract sales organization (CSO) for key needs. A CSO provides the immediate expertise needed to be successful with lower risk and more flexibility than a company has when building their own sales team internally.

CSOs can provide strategic resources for the rapid deployment of such key pre-launch and launch activities as market research, medical education and sales force development and management. Companies utilizing this approach leverage an existing infrastructure without losing control of their destiny and in some instances do so with the CSO bearing some of the costs on a risk-share basis. This enables companies to maintain a lean infrastructure while building both market and cash positions, with the option to eventually internalize CSO employees.

Although the outsourcing of product manufacturing and clinical research has been practiced and accepted by the industry for quite some time, the value a CSO brings to emerging pharmaceutical companies in the commercialization of their products is just now being fully realized. Not only do CSOs offer the advantage of saving time and money in the commercialization process, but management teams of emerging companies are able to tap into the vast knowledge base of their CSO partner, greatly expanding on their own industry experience and better equipping them to drive brand performance. ■

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