

Best Practices in ROI Assessment



February 2004

Value Driver Report

Business Intelligence Solutions for the Pharmaceutical Industry

Solution Payback Assessment

Business Intelligence, used correctly, can provide critical data analysis to pharma management to support informed, strategic action. Data across functional departments can be integrated - providing context for business critical decisions. Pharmas that embrace BI will be able to sustain key competitive advantage in a time when new market entrants, expiring exclusivity and the shifting balance of prescribing power represent daunting challenges to the industry.

Top Value Drivers

- Increased sales effectiveness
- Additional revenues from existing drugs
- Reduced drug development and launch costs
- Greater regulatory compliance
- Improved product quality
- Greater return on promotional investment
- Greater persistency and patient compliance
- Lowered risk of new product success

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Business Intelligence Solutions for the Pharmaceutical Industry

“In the Post Enron Economy the need for transparency has also impacted the way global pharmaceutical CXO's think about their particular business processes, and continued heightened regulatory environment.

Business Intelligence systems for pharmas have become what ERP was for manufacturers in the late 1980's. HIPPA, drug discovery pipeline, and overall business scorecarding dashboards, are mandatory in the competitive global pharma landscape.”

Malcolm Frank
CEO, President
CXO Systems
October 2003

Abstract

Fueled by...

- heightened competition from new market entrants
- lapsing patents
- a dramatic change in sales channels
- rebalance of prescribing decision making power

... pharmaceutical companies (“pharmas”) are looking internally to find ways to remain competitive, build market share and maintain revenue growth. With \$100 billion worth of products facing patent expiration by 2005, the pressure on pharmaceutical companies to develop and launch new products has never been greater.¹ Under examination are allocation of assets and resources relating to new product development, the mix and priority of sales and marketing initiatives, and the underlying historical vertical structure of organization around product or therapeutic-specific silos. This stovepipe orientation has fostered the creation of multiple, disparate data sources and formats – islands of data. Real-time business activity monitoring across brands and functional departments, requires these data be integrated into a single repository, which represents a significant challenge to the pharmaceutical industry.

Concomitant with major changes in market dynamics, the emergence and growth of pharmaceutical informatics is providing pharmas with unprecedented access to detailed information about the sale, prescription, usage and payment for their own products - and those of their competitors. The new availability of this patient-centric data, combined with the need to address the decreased effectiveness of traditional promotions, has made pharmas aware of the need to integrate information coming from both internal and external sources. Business Intelligence solutions are being embraced as a means to translate and interpret this information in support of strategic and tactical business decisions.

The instantiation of Business Intelligence (BI) processes within pharmas is a new - but rapidly growing - industry trend. Of the \$38 billion allocated for IT by 2006² by U.S. pharmas, Gantry Group estimates approximately \$2.5 billion is earmarked for BI solutions. Business Intelligence infrastructure is being deployed throughout the corporate enterprise, integrating and coordinating data from R&D, sales and marketing, with critical external data vital to real-time adjustments to resources and priorities. Internal data, including information from product development, territory management systems, sales force automation tools and consumer direct marketing, can be examined across brands rather than within specific product areas. A BI system can enable decision support in real-time by integrating financial operational data with external data sources, such as patient-centric longitudinal data and prescriber data from PBMs, pharmacies, payers and data providers.

As pharma executives look increasingly for ways to manage and maximize the Return on Investment (ROI) of their product portfolio, cross-functional data repositories with BI portals are becoming accepted as a means to provide real-time views of investments and paybacks, across brands, therapies and customer segments. Numerous enterprise software vendors are joining BI providers with offerings tailored for pharmaceutical companies, all promising to aid in the ROI optimization of the portfolio.

This report examines the *underlying value drivers that justify pharmas' investment in and ROI from BI solutions. The report specifically addresses:*

- Propensity of pharmas to invest in BI solutions
- Top pharma BI solution vendors, comparing approaches, capabilities and ability to deliver value
- Investment Recommendation

About this Study

The Gantry Group independently conducted an objective study that examines the key ROI value drivers and areas of cost savings realized through the adoption and deployment by pharmas of BI solutions. Specifically, Gantry Group explored the changes that occur within enterprise business processes as a result of deployment of BI systems. This report captures and explores the pharmas' value experiences achieved through the implementation of BI solutions.

Using a combined approach of primary and secondary market research, Gantry Group spoke with over 10 pharmaceutical companies, to develop a deeper understanding of the BI technology's impact and gain refined insight into the challenges these solutions help pharmas address.

The study was designed to probe the following factors affecting adoption of BI solutions by U.S. pharmas:

- Key challenges facing U.S. pharmas
- Perceived Strategic importance
- Value drivers delivered by category
- Major workflow/process changes noted post deployment
- Purchase justification
- Critical success factors post implementation



***Market
Validated
ROI Analysis
for Technology
Solutions***

About The Gantry Group, LLC

The Gantry Group, LLC provides market analysis for technology-driven offerings. Gantry Group applies primary market research to identify and validate value delivered by technology solutions to enterprises. Gantry Group has helped over 200 companies drive sales and cost-effectively accelerate the successful market adoption of their products and services through our ROI/TCO benchmarking service suites.

We have equipped these product and service firms with credible TCO and ROI models to effectively communicate value in the terms of the business metrics that customers and prospects use to access the performance of their own companies.

Gantry Group's ROI & Customer Payback Practice provides companies with tools to accurately calculate the economic benefit of their offering to customers. This practice relies on customized market research and quantitative financial modeling to develop a credible payback calculator that is based on metrics that are meaningful to a vendor's target market. Cause and effect analysis enables us to determine the tangible value associated with often intangible benefits. Our rigorous methodology results in customized tools for economic payback projections: customer's return on investment (ROI), total cost of ownership (TCO), Net Present Value (NPV), and internal rate of return (IRR). The result is a quantified value proposition that is crisply differentiated within a receptive market.

Gantry Group works with high technology vendors and enterprises in healthcare, life science, financial/professional services sectors to statistically validate bottom line ROI delivered through high technology solutions.

The company can be reached at 978-371-7557 or www.gantrygroup.com.