

# Marketing and Development: Harnessing A Sibling Rivalry

by Mike Luby



IMAGE COURTESY OF STOCKXCHING

What comes  
first? The  
product or  
the marketing?

**W**hen is the right time to *really* understand the marketing opportunity for a new biotechnology product? For successful biotechs, a disciplined market assessment begins in the pre-clinical phase and continues throughout development. By quantifying and fully appreciating the realities of the market, these companies maximize their odds of success through their go/no-go decisions, clinical study designs, timing of claims, revenue forecasting—all of the critical choices that spell success or failure for the product. Successful companies realize that maximizing the market opportunity for their product starts years before launch and that marketing requires an early investment.

For others, early lifecycle investment is an addition to an already-huge investment with a high degree of risk. By not understanding the initial marketing need, these companies are exposing themselves to far more risk than their forward-thinking counterparts. Developing a disciplined understanding of the market—shared across team members and honed over time—represents a significant opportunity for many biotechnology companies to improve performance.

## WHERE THE MISTAKES ARE

It is critical to understand the marketing need, in detail, for a new product coming out of the pre-clinical program; companies must also continue to invest in improving this understanding throughout the course of the clinical program. Marketing need is where companies make the biggest mistakes, as many allow themselves to base their intended positioning on the instincts of their management team or support it with weak “market research,” often consisting of a handful of informal interviews with affiliated—and often biased—physicians.

Other teams “fall in love” with their breakthrough science. Infatuated, they view their products in the most positive light possible and discount the realities of their market—until around two months post-launch, when the true folly of this approach is revealed.

## KNOWING THE NEED

Quantifying the marketing need requires a deep grasp of current medical practices, as well as understanding physicians’ attitudes and beliefs about treatment options, approaches to various patient types, and unmet medical needs. It involves understanding how a product’s unique features and benefits to appeal to regulators, physicians, patients, and payors. This is not a trivial exercise.

Marketing need can provide an objective basis for teams to make choices on priorities and sequencing. It is critical to knowing what companies need to demonstrate in a clinical program to secure a winning proposition. It is equally

important to understand what elements are not launch-critical—those that can be addressed in a phase IV program—enabling companies to manage investments wisely and maintain focus.

A solid understanding of marketing needs influences each part of the product development equation. As an example, biotechs cannot accurately estimate the timing and cost of a clinical program without understanding what will be needed to support the desired positioning at launch.

Similarly, a revenue forecast cannot be developed without understanding this as well. Many underlying assumptions, most notably the price estimate for the product, are difficult to substantiate without clearly understanding the marketing opportunity. Pricing must also reflect good knowledge of the reimbursement environment, as a forecast will move up or down depending on the anticipated degree of reimbursement or prior authorization.

### **NEEDING THE DOUGH**

Understanding profitability is also critical at this early stage. For that, companies need a credible cost-of-goods estimate. Marketing research will dictate the choice of dosage and dosage form required to go to market. Companies also need to be armed with a good sense of the costs to market the drug. It is very difficult to gauge what level of sales support is necessary to achieve the forecast without marketing's understanding of the drug's positioning, target patient population, and physician universe, at a minimum.

Let's consider two examples from Genzyme:

**Sepra**—The first is from the Sepra line of products, including Seprafilm, which prevents adhesions following surgery. The science supporting these products was very interesting, and expectations for this line of business were high when it was introduced in 1996. Yet sales for this franchise were estimated at only \$75 million in 2005.

Many industry observers expected it to be a much larger franchise.

From the outside, it appeared as if the company didn't quantify the need for their product or understand how it was going to navigate the reimbursement environment.

**Renagel**—In contrast is Renagel, which was developed by Geltex in a joint venture with Genzyme. (Genzyme bought Geltex in 2000). Renagel, which controls phosphorous for dialysis patients, was launched in 1997.

At first, no one thought that the science on Renagel was very interesting, and few people believed sales would top \$100 million. But the team at Geltex did extensive marketing research early in the process and built on their understanding with continued investment throughout the development of the product. Estimates for Renagel sales in 2005 were \$425 million, and the product is still growing. Without the proper marketing, Renagel never would have surpassed \$100 million. But the Renagel team very clearly understood the marketing need for their drug and marshaled the product through a clinical program that helped maximize those opportunities and the product is still growing.

### **ICING AND CAKE**

Biotechnology is a risky business. Good marketing is the key to success in today's biotechnology environment. Regardless of a biotech firm's science-centric focus, identifying and understanding a product's marketing niche remains a critical step towards making responsible decisions. Those critical decisions ensure that the product makes it into clinical development, and that investments will be directed toward those "critical few" areas that drive success. A proper understanding of those factors keeps the focus on maximizing opportunity by making disciplined choices early in the process. The benefits of that approach will help secure product, company, and personal success. ~

**Mike Luby** is President & CEO of TargetRx, Inc. He can be contacted at [mluby@targetrx.com](mailto:mluby@targetrx.com)