

# Think Different

Game-Changers can create competitive advantages for pharmaceutical companies and products

Apple's approach to the digital music marketplace is a textbook example of game-changing, the process of re-defining an industry sector and/or product category to provide an unfair competitive advantage. Apple's combination of the iPod digital music player and the iTunes digital download service has totally transformed the music industry landscape, propelling Apple to the dominant position in both the digital music and audio player categories. In less than five years, Apple has become the number one music retailer in America with over 5 billion music downloads; it commands over 70 percent share of the digital media player market by selling over 40 million iPod units annually. In June 2009, Eli Harari, the CEO of rival SanDisk, effectively conceded that Apple's iPod has won the digital player competition, stating "You can't out-iPod the iPod."

Game-changing has tremendous implications for pharmaceutical companies and its professionals. As the US and European pharmaceutical industry continues to transition through the mature or competitive stage of its life cycle, it is more important than ever for companies to play the game at which they excel. Pharmaceutical professionals at every level of the company need to understand the types and techniques of game-changers in order to identify and execute their own game-changing strategies and tactics.



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What is a "game-changer"? Game-changers like Apple are rule-breakers: they disrupt the industry's status quo and conduct a market makeover in order to play the game on a field where they can win decisively. The best game-changers actually evolve to become "game-makers." Game-makers dictate how business is done in their sector: they make the rules for other industry competitors to follow. Procter & Gamble, Coke, and Microsoft were all

Apple was able to change the music industry by combining two different types of innovations: product (iPod) and technology (digital music downloads).

Pharmaceutical companies have traditionally focused on product and technology innovations. For example, GSK created the world's best-selling asthma agent and combination product Advair (fluticasone/salmeterol) by developing the diskus, a novel inhalation delivery device. Allergan has become a specialty pharmaceuticals market leader by adapting two therapeutic products into first-in-class cosmetic products: wrinkle-reducing agent Botox was initially used for

Here's to the crazy ones. The misfits. The rebels. The troublemakers. The round pegs in the square holes. The ones who see things differently. They're not fond of rules. And they have no respect for the status quo.... they change things. They push the human race forward. And while some may see them as the crazy ones, we see genius. Because the people who are crazy enough to think they can change the world, are the ones who do

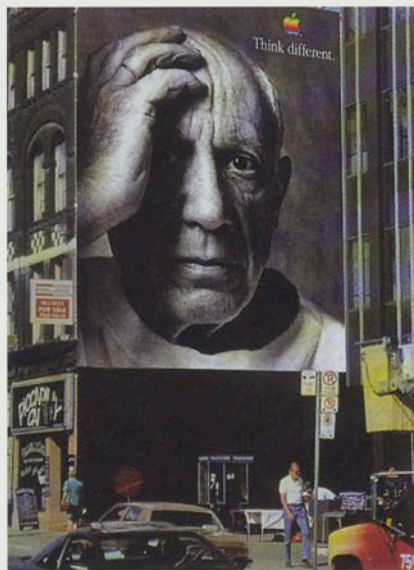
—Text from Apple's "Think Different" commercial (1997)

once game-changers that evolved to dominate their respective industries. Apple is seeking to become a game-maker in digital music by controlling the digital music format, ensuring its iPod is the only portable music player compatible with songs purchased from the company's iTunes music store, and by tightly managing its selected set of suppliers.

Most game-changing companies transform a market by using one of three types of innovations: product, technology, or business model innovations.

the treatment of strabismus or crossed eyes; eyelash enhancer Latisse was originally approved to manage glaucoma. Light Sciences Oncology is seeking to change the cancer treatment paradigm by using a drug that is activated by a special light targeted within a solid tumor. Its photo-therapy device Litx is currently undergoing Phase III trials for the treatment of metastatic colorectal cancer and hepatocellular carcinoma.

Genentech and Amgen have been leaders in the industry-changing bio-



technologies of monoclonal antibodies and recombinant proteins, respectively. Roche was quick to invest in and ultimately acquire Genentech for its expertise, which has resulted in the development of several blockbuster oncology products, including Avastin and Herceptin. By leveraging this acquisition and other capabilities, Roche is now poised to become an industry game-changer; it is the dominant player in the global oncology market—the largest market in the world. According to Decision Resources, Roche will be the only top 10 pharmaceutical company with overall US growth rates exceeding 3 percent during the next five years.

### Evolving the Business Model

Despite the industry's emphasis on product and technology innovation, the most dramatic game changes have actually come from business model innovation. In the early 1980s, Merck & Co. radically redesigned the industry's research development process by focusing resources on potential blockbusters, significantly reducing developmental times and forging close relationships with industry regulators. In just one decade, Merck's new development model resulted in eight products exceeding \$100 million in sales, twice the number of its nearest competi-

tors. Merck transformed the industry and became a true game-maker. As a result, it was named America's most admired company by Fortune magazine a record seven years in a row.

Pfizer changed the game again in the early 1990s using a blockbuster acquisition model. Pfizer acquired Warner-Lambert (2000) and Pharmacia (2003) to obtain the blockbusters Lipitor and Celebrex, and supported these products with the industry's largest, most aggressive sales force. These deals catapulted Pfizer from the industry's ninth largest company in 1990 to the world's largest pharmaceutical company by 2003. However, the company's declining performance and its recent acquisition of Wyeth (predominantly for newer biologic technologies) signal that the industry is ripe for the next game-changer.

### Game-Changing Techniques

There are numerous ways to generate game-changing companies, products, and competitive moves. These include:

- » **Embed game-changing into the corporate culture** The most successful game-changing companies—from Apple to 3M—encourage, highlight, and reward novel thinking and innovative ideas. These companies also seek to engage employees at all levels of the organization to think creatively and competitively. For a particular business opportunity, one leading pharmaceutical company recently used “crowd sourcing” to elicit innovative ideas over the Internet from over 15,000 global employees.
- » **Leverage game-changing analogues** Analyzing and adapting novel approaches from other companies or industries can instigate game-changing. For example, Light Sciences Oncology's application of light-activated cancer therapy builds upon similar models used in dermatology, such as DUSA Pharmaceuticals' Levulan® Photodynamic Therapy for the advanced treatment of actinic keratoses.
- » **Conduct “game-changing sessions”**

Progressive companies utilize experienced consultants to facilitate brainstorming sessions at the intersection of competition and innovation. Relying on a variety of proprietary techniques, these sessions can help to identify, prioritize, and select game-changing solutions to gain competitive advantages.

- » **Create a separate business unit** For established companies, creating new business models may conflict with their traditional ways of competing. Forming a separate business unit is one way to overcome this conflict. For example, Novartis established Sandoz (as a generics company based in Munich) separate from the corporate headquarters in Basel, and has built this division into the world's second largest generics manufacturer. According to Novartis CEO Daniel Vasella, this unit, combined with the company's branded products, vaccines, diagnostics, and consumer products divisions, enables the company to better serve large customers and “to offer greater benefits to patients and healthcare providers while creating a more competitive growth platform for our complementary businesses.”
- » **Establish game-changing partnerships** Merck and AstraZeneca recently announced a unique collaboration to study two early-stage, complementary cancer agents as a combination regimen for the treatment of solid cancer tumors. This approach could accelerate the products' development and approval process while enhancing patient clinical outcomes.
- » **Acquire game-changers or game-changing technologies** Roche identified and acquired Genentech for its novel biotechnologies and products.
- » **Perform competitive simulations** Competitive Simulations, the new version of war games, often incorporate game-changing exercises that help create, test, and validate game-changing ideas and competitive moves. 