

BAIN & COMPANY

**Building the
Consumer
into Your
Strategy**

Health Care Viewpoint

Number 12



Bain health care expertise

As the year 2000 approaches, the health care industry is still turbulent. Customer requirements and competitive dynamics continue to evolve. The industry is seeing more deals, more alliances, more investment, and more experiments than ever before. It's not always clear whether a new approach is a fad or a real basis for leadership in the marketplace. Health care organizations are rethinking every element of their strategies, structures, and business practices to find the path to sustainable results.

Bain & Company helps health care companies navigate a course to outstanding results. We work closely with motivated management teams to create a clear map, a goal and direction for achieving not incremental improvements, but full potential returns.

Bain's global health care practice combines expertise, an industry network, and years of experience accumulated across all parts of the health care industry. Bain helps health care companies, including product suppliers, distributors, providers, and payers worldwide, select a strategic course and create a practical migration path to the goal.

consumer preference is driving health care strategies

Most health care organizations focus their strategies on winning the loyalty of the clinician (historically the key decision-maker), and more recently of the administrative/economic buyer (in governments, provider organizations, and insurers). Today, the patient is increasingly becoming a real and influential customer for pharmaceutical, medical device, and diagnostic companies as a result of the breakdown of traditional patient-physician trust under managed care, combined with the explosion of new sources of consumer-friendly medical information. Although many suppliers are still reluctant to build a business around the consumer, the payoff from a consumer focus can be significant. Building strong bonds with end-users creates “consumer pull” that strengthens your position with economic buyers. It can also create sustainable differentiation against generic products and generic margins.

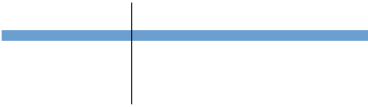
Winning Consumer Strategies

Five elements

While general principles of consumer marketing apply to health care, they need to be adapted to the unique regulatory, channel, and clinical characteristics of the industry. Bain has identified five factors for success:

1 Define and Target Meaningful Consumer Segments

What patients need, and will respond to, varies with their disease, their degree of involvement in decision-making, and their preferences about how to interact with the health care system. Diabetics tend to accept home glucose testing while coumadin patients usually visit clinics. The value proposition to reach and serve each segment should vary, with differential emphasis on information, convenience, compliance, or



reimbursement. Which patient segment you select should reflect your competitive ability to attract and serve that consumer group, as well as the financial fit of that segment with your economics.

2 Manage the Category Profit Pool

A lesson from consumer marketing: all product categories are not created equal. “Premium” categories, such as cardiovascular, have inherently more margin for suppliers than commodity categories (e.g., IV bags). The insight for health care suppliers is that they can proactively influence the profit dynamics in their markets. Investments in brand identity, product innovation, and service innovation tend to increase the category profit pool (if true consumer needs are addressed). Categories facing OTC and generic offerings can retain high-profit Rx segments if suppliers create value beyond the pill.

3 Increase Consumer Loyalty

The cost of acquiring a patient is high: indication approvals, physician detailing, patient education, formulary approval. Yet studies show that at least 50% of patients are not compliant to their treatment regimens and 30% do not fill their prescriptions, costing billions of dollars per year in sub-optimal health (i.e., lost work time, lower productivity, emergency room visits). Suppliers can benefit from exploring innovative channels to reduce access barriers for consumers and decrease “rework” in the system. Examples include employer worksite clinics, prescribers at pharmacies, demand management services, and remote diagnostics. Furthermore, one-to-one marketing techniques can improve the flow of targeted information between the company and the patient, creating double value: a relationship bond with the patient and proprietary customer insight for the supplier.

4 Acquire or Ally

A consumer-focused strategy requires new skills and capabilities that traditional health care suppliers often lack. These may include brand identity creation, channel relationships, databases, consumer marketing savvy, call centers, or new media skills. Innovative access channels may be more economical and more valuable to consumers if many therapeutic areas are represented, potentially through a multi-firm platform. Acquisitions or alliances are often the most appropriate route for building these new capabilities, both speeding time to market and potentially keeping competencies out of the hands of competitors.

5 Reorganize to Include the Consumer

In the long term, a functional organization with the traditional consumer versus professional split may create barriers to optimally integrating the consumer into the full strategy and marketing mix. Functional organizations that are not ready to reorganize might, at a minimum, use empowered, high visibility cross-functional project teams or program managers to integrate the consumer into the traditional product management and channel structure.

A New Paradigm for Success

Selecting, targeting, and winning the loyalty of desired consumers is becoming a critical success differentiator among competitors in numerous therapeutic categories, and may become a requirement for participation going forward. The goal is to build brand equity with your ultimate end-users. The payback is an opportunity for new levels of growth and reward for organizations that create superior consumer relationships.

Bain is one of the world's leading global business consulting firms. Its 2,400 professionals serve major multinationals and other organizations through an integrated network of 26 offices in 18 countries. Its fact-based, "outside-in" approach is unique, and its immense experience base, developed over 26 years, covers a complete range of critical business in every economic sector. Bain's entire approach is based on two guiding principles: 1) working in true collaboration with clients to craft and implement practical, customized strategies that yield significant, measurable, and sustainable results, and 2) developing processes that strengthen a client's organization and create lasting competitive advantage. The firm gauges its success solely by its clients' achievements.

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