In the face of an array of steadily growing pressures, including rising product development costs and greater pricing sensitivity, pharmaceutical and medical device companies are struggling to meet new requirements. Payers are demanding clinical and health economic data before agreeing to reimbursement at premium, or even par levels. The entire industry is now being seriously challenged to demonstrate the value proposition of their products to payers and other stakeholders and this challenge is accelerating. In response, many companies are now working to recognize and incorporate the needs of all stakeholders (payers, patients, physicians, providers) in the product development process and develop products that meet unmet needs and provide real value.

When marketing strategists consider how economic and clinical value can be taken into consideration as part of product strategy and throughout the product development process, marketing is more likely to be able to develop and clearly communicate the value proposition of a product to all market stakeholders. Marketing strategy should then be based on evidence that helps capture and demonstrate product values, illustrates product differentiation, and provides a compelling message. Incorporating economic and clinical value considerations into a marketing strategy offers a new “market driven” way of marketing – and a dramatic shift from the conventional “product driven” model.

1. The Traditional Approach: The Product-Driven Model

The traditional product-based approach for a device, for example, usually starts with marketing looking at a particular space to enter, often by looking at the number of procedures, or number of sick people (or number expected as population ages), or the dollar value of current therapies, and deciding to design a product based on these criteria. Sales or a physician may suggest a product idea, and the assumption is that it will be profitable because there are a large number...
of procedures done every year or a large number of sick people. With a marketing plan, R&D develops a product and the process proceeds with regulatory and clinical (eventually) providing input before filing a 510(k) and launching the product.

This type of product-based approach focuses on developing products that address broad patient populations, and reflects an internal orientation that often focuses on a company’s existing products, instead of identifying broader consumer/patient and marketplace needs. The model is associated with aggressive selling and promotional campaigns and has historically produced impressive sales numbers.

2. Problems With the Traditional Approach

The traditional product-driven model often fails to take into account broader market needs or issues. For example, the traditional approach fails to ask a number of questions critical in today’s market. For example:

- Is there evidence that the product is better than what is currently on the market?
- Will payers and physicians be interested without evidence of superior clinical outcomes even at the same price?

Companies increasingly must be able to demonstrate the economic and clinical value (or ECV) of their products. This paradigm shift requires that marketing strategies focus on the market needs (pull), instead of pushing a particular product (push). Effective marketing strategies must now involve the ability to develop clear market segments, identify products or services to address each segment’s unmet needs, and determine how to deliver value to a variety of stakeholders. Product decisions of the future will be ‘value-based purchase decisions.’

3. A New Approach: the Market-Driven Model

As companies shift to a market-driven model, they must develop closer relationships with
key stakeholders. Marketing will require an understanding of the overall dynamics of the continuum of healthcare (prevention, diagnosis, treatment, and maintenance) and a consideration of how these dynamics impact market requirements. This market driven model assumes that successful companies of the future will determine therapeutic areas they will “own” which in turn will drive investments. In contrast to the current product centric approach, the new model assumes a patient/consumer centric perspective. It also takes into consideration a continuum of care point of view versus episodic/acute intervention approach. This translates into a core focus on prevention, maintenance of health and wellness, diagnosis and treatment of the range of conditions within a therapeutic area.

In this environment, marketing must….

- Examine broader customer needs

In this new environment, using ECV as marketing strategy means marketing must start with “white space” research, taking a forward-oriented look at broader customer needs. Marketing strategy will include gathering global demographic and economic trend data, as well as the ability to derive implications of the data that guide strategic product portfolio decision-making.

- Effectively segment the market

Marketing must also have the capability to segment the market in new ways, and use these insights to conceptualize new product categories and growth platforms. For example, while a particular disease or condition, such as cardiovascular disease or low back pain, may be prevalent for a large group, segmenting the population may enable marketing to develop a continuum of care approach, focusing, for example, on prevention measures for certain subgroups and rehabilitation for another subgroup, and not just on a particular point of acute intervention. The traditional approach of examining the number of procedures or number of potential patients would not provide this data.
Looking from a market driven perspective requires developing discrete viewpoints for differentiated markets, with identification of groups most receptive to new technologies as well as those dissatisfied with current offerings. Targeted approaches frequently need to be worked out for each stakeholder. Companies that engage strategic market analysis and segmentation to understand the spectrum of needs in the market will be in a position to provide real value. How companies identify and define unmet needs is a marketing issue, and by identifying such needs and using them to inform the direction of product development, marketing also helps define the evidence needed to support the claims in clinical testing. Also, taking a continuum of care perspective can ultimately help guide the development of sustainable growth platforms for an organization capable of supporting continued innovation and growth.

- Improve product portfolio management

In addition, marketing must develop rigorous product portfolio management capabilities with stratification of evidence by customer and market requirements. Companies will use marketing insights not only to determine therapeutic focus, but to drive disciplined portfolio investment decisions that reflect a more holistic view of product lifecycle value in concert with a continuum-of-careview. This means marketing must be able to identify, gather, and analyze data to support demand forecasting and business cases upon which important product portfolio management decisions will be based.

**Conclusion—focus, value, evidence**

By using ECV as marketing strategy, companies can support decision-making about a different future, one that is not just an extrapolation of what the company has been doing in the past. Companies will be able to develop competitive and differentiated positions for their products, and provide stakeholders with compelling value propositions.

Rita E. Numerof, Ph.D. is President, and Stephen E. Rothenberg, J.D. is an Analyst at Numerof & Associates, Inc. (NAI). NAI is a strategic management consulting firm focused on organizations in dynamic, rapidly changing industries. We bring a unique cross-disciplinary approach to a broad range of engagements designed to sharpen strategic focus, increase revenues, reduce costs, and enhance customer value. For more information, visit our website at [www.nai-consulting.com](http://www.nai-consulting.com).