

7 WAYS TO DRIVE COMMERCIAL TRANSFORMATION THROUGH DIGITAL FACTORY

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Amid the litany of problems the pharmaceutical companies are grappling with, the expectations from commercial teams have undergone a significant change. The internal client organizations expect **quicker**, more **cost-effective**, and **innovative** solutions from the commercial teams. Traditionally, commercial organizations have made and still continue to make strategic and tactical changes in their operating model, but the changing environment has made them to look for something beyond just change—call it Transformation.

Last year, the top 10 pharmaceutical companies had an average dip of 11% in their operating income (Figure 1) largely because of huge pressure on the gross margins. It is clear that any offering

to plug the leakages and drive efficiency in commercial operations will be well received. A quick look at the S&M expenses of global pharmaceutical companies informs us of the 7.7 billion USD (Figure 2) opportunity just by driving production efficiencies in the development of marketing assets.

Figure 1: Sluggish Growth, Diminishing Returns*

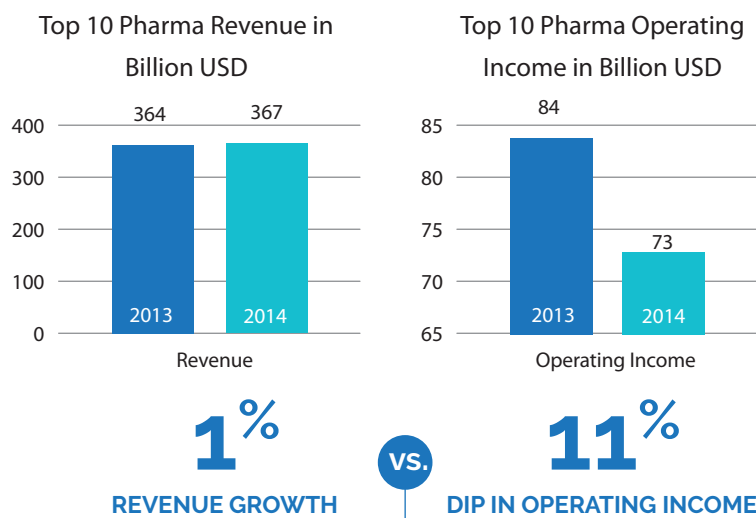
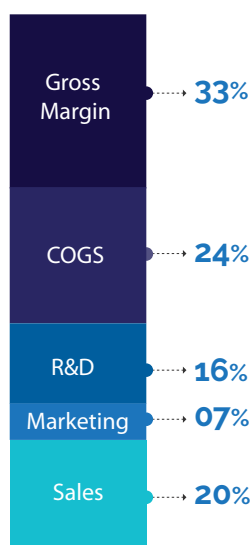


Figure 2: Income Statement - Global Pharma



US\$ **1.23** ^{TN}#

Global Pharma Revenue

US\$ **86.1** ^{BN}

Marketing Expense

US\$ **12.9** ^{BN}

Marketing Asset Development Cost

UPTO
US\$ **7.7** ^{BN}

At 60% efficiency gains,
Net Savings Potential

\$ 7.7 ^{BN}

POTENTIAL SAVINGS FROM EFFICIENCY GAINS IN OPERATIONS

*Financial statements available on company websites. #World industry outlook: Healthcare and pharmaceuticals, The Economist Intelligence Unit, May 2014. Figures converted from \$ billions



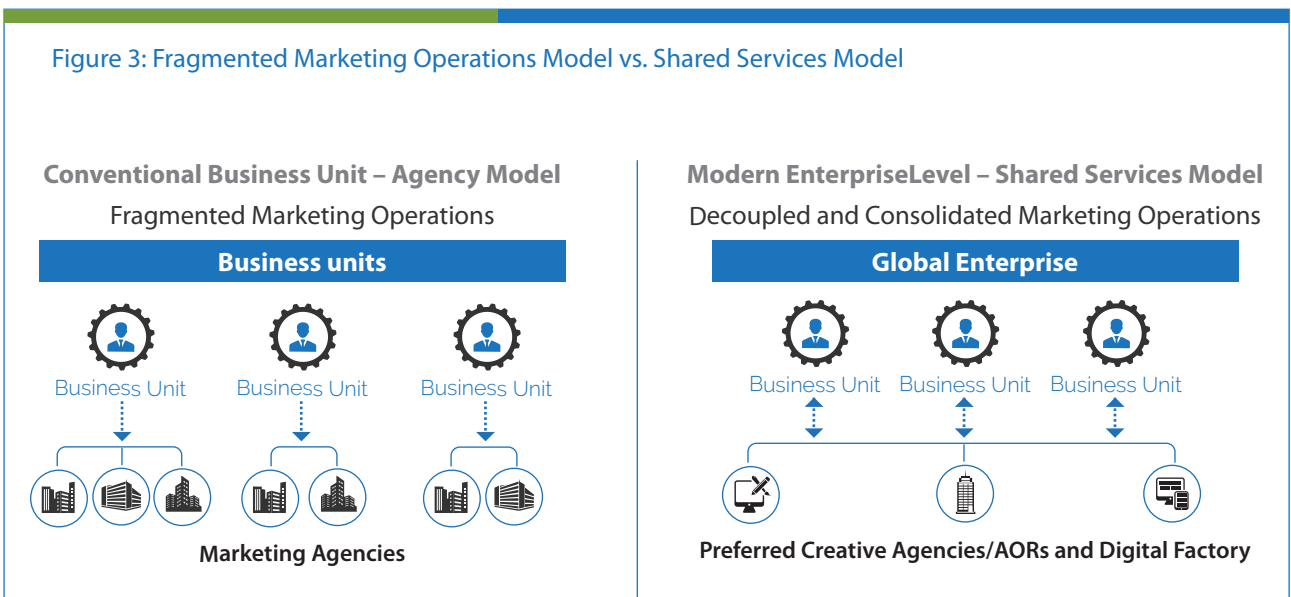
In this paper, we discuss the concept of digital factory and its role in driving commercial transformation.

Globally, pharmaceutical companies work with several marketing agencies in a fragmented and siloed setup. A variety of jobs ranging from crafting of marketing communications and creative strategy to production and deployment of marketing assets are being carried out by a multitude of agencies. This, while reducing the marketing effectiveness, also does not allow pharma

companies to leverage the scale and inherent synergies in their marketing operations.

Decoupling is a powerful technique to address the above problem. Decoupling is a process of separating strategic and creative work from production, thereby breaking the larger problem into two parts such that each is solved in an optimal way. In other words, while the creative and strategic work is still done by the preferred marketing agencies, the production work is managed by a digital factory.

Figure 3: Fragmented Marketing Operations Model vs. Shared Services Model



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1 ACCELERATE ADOPTION OF MCM

In order to meaningfully engage with customers, organizations today need to deploy multiple channels such as the Web, mobile, remote, social and e-mail. Digital factory could be a powerful enabler in this regard, facilitating rapid deployment of content across multiple channels and integrated measurement. For example, when companies roll out iPad-based detailing, digital factory can enable rapid deployment of content across regions and brands ensuring implementation of standard framework to realize the true potential and promise of Closed Loop Marketing.

2 FASTER GO TO MARKET

With a multitude of agencies developing marketing assets for pharma, there exists a serious leakage in the system. Each affiliate trying to re-create a marketing asset for itself leads to massive wastage of Time and Money. For example, over 42 versions of the same MOA video were developed by various affiliates of a leading pharma major, with each version costing USD100k. A commercial question for this organization would be was an investment of USD 4.2million needed or could it have

been done at a much lower cost? Digital factory precisely addresses this point. It enables what we call the GLOCAL model, which is based on the concept of one base version. This acts as a source for churning out local versions, which are adapted by 20%-40% for regional and local needs and preferences. A well implemented digital factory provides the right architecture to facilitate adoption and reuse across asset types and affiliates. This not only saves money but also improves responsiveness of the affiliate to launch product in its local markets.

3 CENTER FOR LAUNCH EXCELLENCE

With two-thirds of the new brands launched every year failing to meet their annual sales projections, the brand managers continue to face a variety of challenges—timing of launch, target markets for launch, availability of marketing communication assets, pricing, stakeholder engagement, etc. Digital factory can resolve some of the tactical issues –such as getting appropriate marketing assets for proper channels across several markets, thereby, freeing up some bandwidth for the brand managers to address the strategic challenges. In fact, a mature digital factory can be transformed



50%
REDUCTION IN
PRODUCTION TIME



66%↓

BRANDS FAIL TO MEET FORECASTED SALES ANNUALLY

into a center of launch excellence that can provide assets ready to be deployed across channels and geographies.

While the shared resource model allows the factory to manage peak/unexpected demand, focus on strong processes, platforms, and tools helps in delivering consistent and compliant messaging. In addition, the ability to consistently maintain high KPIs on quality and timeliness transforms the factory into a center of launch excellence.

4 FACILITATE SMOOTH CHANGE MANAGEMENT

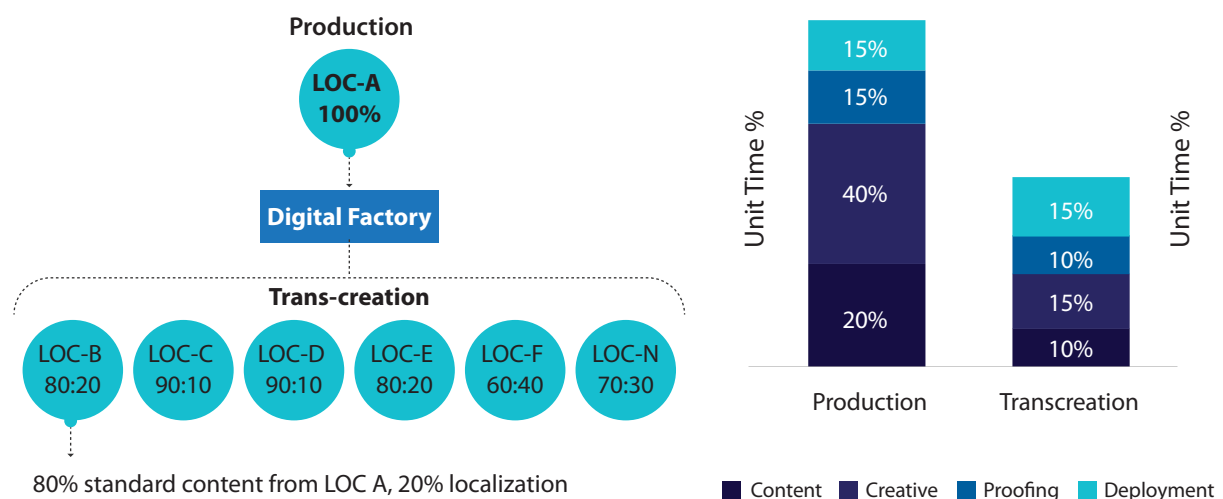
The Pharma industry today has a very complex and dynamic ecosystem that comprises of different markets, platforms, processes, and technologies. With such a dynamic ecosystem, change is inevitable. Digital factory can help seamlessly navigate this change. For example, a change in customer facing technology when adopted

at the digital factory can obviate the need to carry out production-level change management across several local marketing agencies. Similarly, organizational changes such as technology upgrades or adoption of newer technology, setting of new processes, etc., would be easier to manage via a central production partner such as a digital factory. As pharmaceutical companies have overhauled their copy approval systems and adopted digital asset management systems, content management systems, or a closed-loop marketing system, presence of a shared service such as digital factory can ensure smoother change management and faster adoption delivering greater success at lower cost.

5 STANDARDIZATION AND QUALITY

Managing business workflows for multiple markets with dynamic business needs can get extremely complex. On one hand, there is complexity associated with

Figure 4: Production vs. Transcreation



modulation of regulatory and cultural nuances at regional and country level. On the other hand, there is a plethora of technology tools that are being deployed which require standardization and simplification.

Introducing a platform approach for workflow management streamlines the production processes at various levels by clearly defining roles of all the stakeholders and providing visibility at each stage of production. Similar to an assembly line for production, it ensures that risks/issues are identified and fixed on time ensuring quality and timely delivery to the customer.

The digital factory itself is a powerful ally in driving technical standards across a broad spectrum of assets and technologies that eventually reduce the risk and total cost of ownership over the lifecycle of an asset.

What differentiates a global Digital Factory from a conventional agency?

1. Focus on re-use and re-purpose
2. Heavy automation
3. Economies of scale
4. Specialization economics advantage
5. Cost advantage
6. Efficient processes
7. Shared services

6 ACCESS TO INNOVATION

Advances in digital technology have revolutionized the way brands engage with consumers. Innovation in channels and technologies—Web, E-mail, Remote, and iPad detailing are re-defining the engagement paradigm. For example, innovative content delivery platforms today use immersive gaming, branching logic, augmented reality, etc, to deliver highly engaging and hyper-personalized content.

The innovative digital solutions have not only taken the customer engagement to the next level but have also created several options for marketing teams to choose from. In this scenario, the key question for marketing teams and creative agencies would be to think about “what,” leaving the “how” (implementation) part to the digital factory. This simple application of law of specialization economics frees up creative and strategic bandwidth for marketing teams and agencies and allows the digital factory to leverage its expertise in delivering innovative digital solutions, thereby, facilitating a quick and seamless adoption of innovative marketing solutions.

7 FACTORY APPROACH, MEASUREMENT, AND GOVERNANCE FRAMEWORKS

A manufacturing setup is governed by business process management tools such as 5S, Kaizen, and Lean Six Sigma. Similarly, a digital factory runs on

Performance Metrics

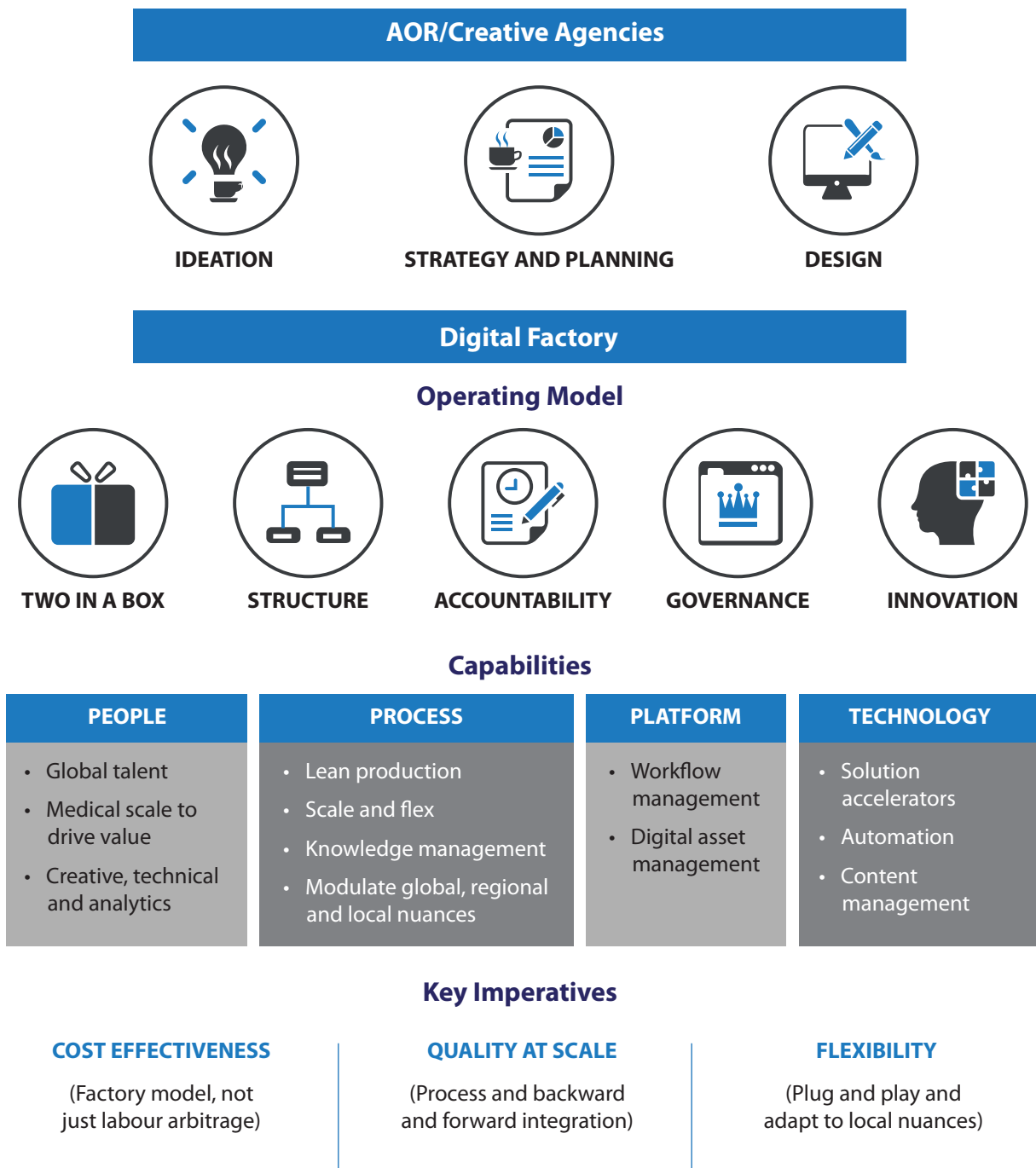
Attribute	Metrics
Responsiveness	<ul style="list-style-type: none"> • On time delivery • Production cycle time • Time for handling change requests
Quality	<ul style="list-style-type: none"> • First pass yield • Customer rejects • Input brief quality
Efficiency	<ul style="list-style-type: none"> • Capacity utilization • Through put
Cost	<ul style="list-style-type: none"> • Total production cost • Cost per asset

streamlined processes that eliminate system wastages and ensure adherence to highest quality standards.

Digital factory not only adopts the processes and operational framework that are typically applied in a conventional factory

setup but also uses similar frameworks to evaluate process adherence and performance of various systems. Quality, responsiveness, cost, and efficiency are continuously monitored and form the baseline to drive continuous improvement and innovation.

Figure 5: Decoupled Production Model



CONCLUSION

Digital factories are being deployed to serve a variety of business objectives. Digital factory in its simplest form – Factory by itself, can drive productivity and standardization across adaptation and execution, regional production, translation and localization jobs. Factories in context, can accelerate adoption of global initiatives and innovation. And, when used strategically to plan MCM programs factory can truly support global commercial transformation.

Although a few forward thinking pharma executives have already sensed the value of digital factory and adopted the model, there is still a lot of opportunity to be harnessed in the larger pharma industry.

As the digital factory gets richer in experience, its learnings can be used to further sharpen the processes and drive higher efficiencies. Eventually, upon reaching maturity, it could really turn into a production cum consultative partner for pharma companies.

Figure 6: Digital Production and Sourcing Framework

