



SEPTEMBER 2008

## Don't Trust Your Gut. It Lies.

By Thomas Marten

Your job is to evaluate licensing opportunities and other business opportunities. Maybe you're responsible for assessing the potential of pipeline products to determine which to advance. With an upcoming portfolio planning meeting, you need to make decisions fast. When you give your recommendations and the questions start flying, will you be prepared to present sound reasoning and supporting data or will you let your gut do the talking?

In our industry, key strategic decisions always have to be made under a cloud of uncertainty, to at least some degree. There is never enough data, resources or time to make a sure-bet decision on a product that is still in development or has a five-year launch horizon. But you still need to make an informed decision that accounts for all the risk factors, that uses a solid framework for decision-making, and that produces data to support your recommendations, especially when decisions involve investing millions. You need more than gut feelings to back up your recommendations, and you need to get true insights without spending a fortune in time and money.

Market research alone won't provide the strategic insight you need; an Opportunity Assessment that links primary market research to modeling efforts, will. If you use a good process and work with someone who has the right industry experience, you will get accurate and actionable Opportunity Assessments for a fraction of the cost and time you would usually have to pay vendors to do elaborate qualitative and quantitative market research. Not many vendors do both market research and modeling well. Many handle the modeling internally and outsource the market research or vice versa. Most market research vendors sell the tool but don't provide the strategic insight. They leave that up to you, the client.

### **Opportunity Assessment**

The Opportunity Assessment process will vary, of course, depending on the business decisions in question, but generally follows these steps:

1. Develop a “straw man” decision-making model using the clinical and market information you have initially and best-guess assumptions on the target product profile. This may seem like putting the cart before the horse, but the straw man model will save time and money in the long run because it will help you determine what information you absolutely need to glean from research to get the outputs you need in the model. If you skip this step and go directly into the market research phase, you are likely to spend too much time and money getting information that isn’t needed or not capturing data that is critical to the model.
2. Develop a list of information needs based on the straw man model. This list could include:
  - Target patient populations and projected patient shares for current and future products
  - Changes in target patient populations over time as disease awareness, prescribing habits and practices, and market dynamics change
  - Key market drivers and barriers that will impact the product launch uptake and ultimate market success
  - Current and future unmet needs of target patients, health care providers and payors
  - Price thresholds for current products and projected price thresholds for future products
  - Emerging technologies and future competitive products
  - Reactions to target product profiles
  - How the new device or product will fit into the current treatment or diagnostic paradigm

Conduct customized and focused qualitative primary market research designed to provide the model assumptions needed. You need feedback from Key Opinion Leaders (KOLs) who tend to be more forward thinking, along with feedback from “trench” doctors who see many patients every day and understand the realities of patient care.

Qualitative research — one-on-one interviews, for example — is best for getting to the level of insight you need. You won’t get it from quantitative market research surveys because checking boxes and filling in blanks doesn’t tell you the thinking behind the answers. Respondents of surveys also tend to overstate intentions with regards to intended use of new products and may give you the wrong picture of product potential. One-on-one interviews, however, give you the opportunity to ask the follow-up questions that can lead to that “ah-HA!” moment of insight.

3. Build strategic market models to provide licensing and product development decision support. Strategic market models provide the machinery to harness all of your existing product clinical data and market insights with the information you

gain from KOL interactions and qualitative market research. Models can also be used to help overcome the limitations of qualitative research where you work with smaller numbers of interviews providing aggregated results that are not projectable on their own accord.

It's important to know the most important product attributes and market conditions which will drive commercial success. It's even more important to have an idea of the financial impact of hitting or not hitting key drivers of clinical and commercial success. Strategic market models can provide these key insights and help you evaluate risks and acceptable returns given the anticipated risks that you will face during drug development and over the life of the product. Armed with this information, you can be comfortable making decisions with a full accounting of risks, probabilities of success and projected future product performance.

## **Benefits**

An Opportunity Assessment — market-based strategic models supported by KOL interviews and custom primary market research — provides the rationale you need to support your recommendations and stand up to questions and scrutiny from senior management. It is a key decision-making tool that will provide the strategic guidance for your company's business development and strategic planning efforts. Plus it is less expensive than a full-blown market research project, and is FAR better than "trusting your gut". There are too many variables and hidden minefields in this industry to ever do that.

To contact the publisher, please contact [rkeefe@tcgbiopharma.com](mailto:rkeefe@tcgbiopharma.com).

## **UPCOMING EVENTS:**

### AdvaMed

*September 21-24, 2008 Washington, DC*

Developed by industry, for industry. Attendees will participate in policy sessions, educational workshops, partnering and business development discussions, investor presentations, networking receptions and product exhibitions and have the opportunity to directly access decision-makers and influence the business, political and financial climates so imperative to innovation. Register at <http://www.advamed2008.com/>.

### BIO-Europe

*November 17-18, 2008 Mannheim, Germany*

BIO-Europe brings together international decision-makers from the biotechnology, pharmaceutical and financial sectors, offering networking opportunities, workshop participation, and private, pre-scheduled one-to-one meetings. Investment and collaboration opportunities developed in prior BIO-Europe conferences have produced many highly successful business partnerships. Register at <http://www.ebdgroup.com/bioeurope/>.

## MEDICA

*November 19-22, 2008, Düsseldorf, Germany*

With its extensive ancillary program, numerous special events, two major congresses and the largest product display in the industry, MEDICA is the hub of the medical trade. More than 135,000 visitors are expected to again obtain information on all the current and future trends in in-patient and out-patient care at this annual event. Whether you are a market leader or an innovative newcomer, use the opportunity to present your products and services to an informed audience. Make the decision to be successful in the global medical market. Register at <http://www.mdna.com/shows/medica.html>.

Pulse is published by TCG LLC of Research Triangle Park, NC.  
For more information, please call 919-941-0700 or see our website:

<http://www.t-c-group.com/>