

# MEDICINMAN™

February 2015 | [www.medicinman.net](http://www.medicinman.net)

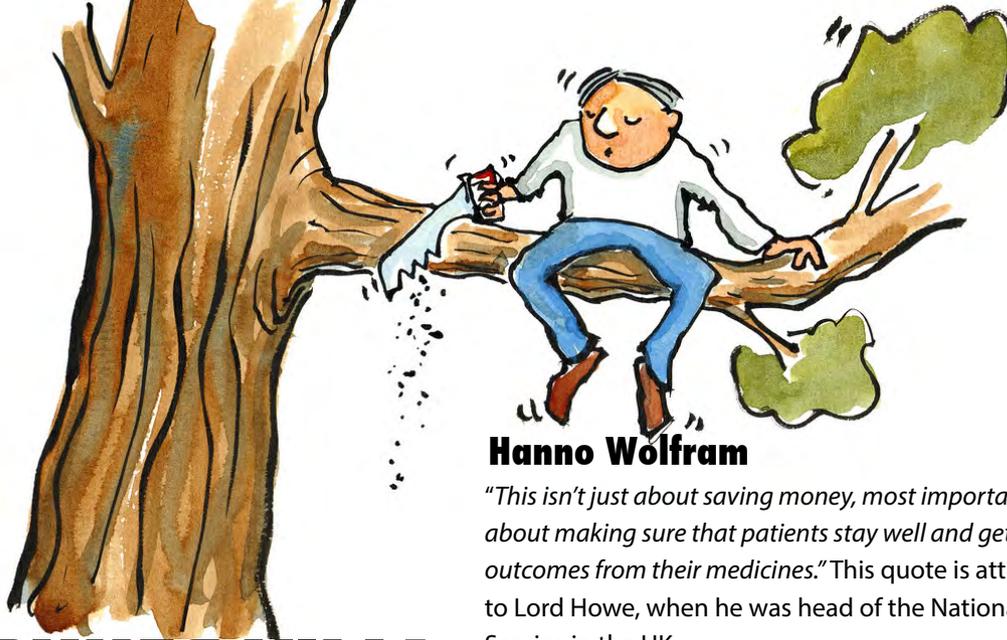
**FIELD FORCE EXCELLENCE**

Since 2011

PHARMA'S  
TWO MOST  
AWAITED  
EVENTS OF  
**2015**  
ARE HERE!



SEE INSIDE FOR DETAILS



# DISCOUNTS KILL!

*Lowering prices as a singular competitive strategy will lead to a death spiral in the industry, lowering profits and creating oligopolies.*

## Hanno Wolfram

*"This isn't just about saving money, most importantly, it is about making sure that patients stay well and get the best outcomes from their medicines."* This quote is attributed to Lord Howe, when he was head of the National Health Service in the UK.

The head of procurement from a hospital chain said:

"I say: "We need to improve our bottom line." and they hear: "I want a discount!"

Isn't there anything better that the pharmaceutical industry could deliver besides discounts?

There are plenty of requests from the so-called market and there are many competencies available in the pharmaceutical industry to fulfill many requests. One problem though, is that pharma does not seem to listen to those with real solutions to their problems instead of pill boxes.

It seems as if pharma knows only one game to play: "killing with discounts". At first you might "kill" competitors but this strategy can often end in suicide for the company. As long as pharma's only strategy is to beat competitors' prices, the number of pharma companies will get smaller over time. There are a number of countries where the drug business is already an oligopoly, with only very few companies left.

The thrilling question is who will the survivors of the discount battle be?

There are an increasing number of physicians, payers and other stakeholders in healthcare, complaining about pharma:

Many physicians complain about the time stolen by reps visiting them, hardly delivering anything useful. Medical reps appear trained to talk, rather than ask questions and listen.

Payers suffer from poor outcome of treatments, when only half of all patients are compliant and fail to adhere to the planned and prescribe therapy.

Depending on the country you will find, that governments and their health-ministers are struggling with the role of pharma, when they sell drugs to hospitals at almost nothing, and when prescribed for out-patients demand high prices.



**Hanno Wolfram**, is the founder and owner of [www.Innov8.de](http://www.Innov8.de), a Germany based company offering consulting projects for pharmaceutical companies.

---

---

*The problem is that there always is someone granting a higher discount and offering a pill-box even cheaper. This spiral is getting lethal swiftly. Europe's largest drug market is highly oligopolistic: seven companies account for almost 80% of the generic market.*

---

---



Patient associations are angry, because they see high-end drugs costing a fortune for them, while in other countries they pay only a fraction of the price.

Is pharma sensing the head-winds coming?

Pharma is the only industry that hires medical reps and pays them to execute unsolicited calls in an attempt to sell drugs to people who do not even buy.

Once the reps can no longer increase the pharma company's revenue, their bosses change strategy and reduce prices. Every percentage point of discount fully cuts through profit and hits the bottom line. Everyone knows this, since the second semester in Economics. One day the margin will be reduced to a point where the currently employed number of reps is too costly.

As a consequence the field forces is reduced in number. CEOs and General Managers then all of a sudden find out that the top line does not really suffer from the reduced numbers in the field. On the other hand they see that the bottom line rises sharply, after the so-called restructuring costs are covered.

This is something contradictory to the second semester in Economics/ Marketing. It goes against the principle of differentiation. "Where is Pharma's 'Apple'?"

The problem is that there always is someone granting a higher discount and offering a pill-box even cheaper. This spiral is getting lethal swiftly. Europe's largest drug market is highly oligopolistic: seven companies account for almost 80% of the generic market.

In a globalized world, GMP rules and FDA surveillance is applied globally. With huge differences in production and other costs, there is no chance for many companies to escape the lethal spiral of a price war. There are a number of countries and companies, with FDA-approved production, following GMP and any other regulatory detail that can produce at much lower cost.

These pharma companies are profitably producing pills at a cost and for a price that the poor and deprived and many governments and payers can only dream of.

There is a cure to this single strategy of reducing prices and granting discounts. If the pharmaceutical industry would develop strategies to get actively involved and contribute to healthcare by sharing all their knowledge and expertise around specific diseases, this could add huge value and considerably improve patient outcomes.

The business-model would change from selling pill boxes to improving healthcare and the sales model would change from "pushing drugs" to Key Account Management 3.0. -HW

# KAM IN PHARMA 3.0 by Hanno Wolfram

---



Available on Amazon  
(click to purchase)  
**amazon**

Key Account Management is a major issue in the pharmaceutical industry. This topic is driving pharma companies and their professionals since it is an essential approach when it comes to renovating and updating the sales model of the past.

The contribution of the pharmaceutical industry to prolonged, healthier life and the reduction of infant mortality undoubtedly remarkable. It positively affects people around the globe. It might be a good point in time and a valuable idea to alter the business model from "simply selling drugs" to actively participate and contribute to healthcare.

There evidently is no other instance, storing more knowledge and expertise around specific disease than the pharmaceutical industry. However, this treasure often slumbers in research and medical departments. Key Account Management needs cross-functional collaboration. More value, something beyond the pill, is needed, expected, and demanded from healthcare providers. In a globalized world, with universal access to information, the variations of markets, determined by political will, the design of healthcare and regulatory interventions are getting less important.

One of the smallest common denominators is that many HCPs and other players are readily waiting for pharma to play a more active role in the provision of healthcare, share their wealth of expertise and provide appropriate medication. This first edition of the probably first ever textbook on Pharma Key Account Management is meant to provide a basis for discussion between professionals.