The Future of the Commercial Model

SNAPSHOT OF AN INDUSTRY IN TRANSITION

April 2025

NUMEROF & Associates

Executive Summary

The Future of the Commercial Model

For the fourth year, Numerof & Associates has conducted a study of the evolution of the commercial model across U.S. pharmaceutical and medical device manufacturers. The first Commercial Model Survey, conducted in 2021, outlined Commercial organizations' responses to the COVID-19 pandemic. In 2022, manufacturers were still coming to terms with the "new normal" as they worked to evolve their commercial model to keep pace with the digital demands of the post-pandemic healthcare industry. By 2023, the effects of the pandemic were no longer the key issue for manufacturers as they focused on addressing other challenges like provider and payer integration, physician practice acquisition, and a continued demand for products' economic and clinical value.

The 2024 Commercial Model Survey focused on how manufacturers are evolving their commercial model in response to ongoing economic and regulatory changes in the U.S. The most consequential of these changes was the first round of negotiations under the Inflation Reduction Act (IRA). Although the pricing negotiated between CMS and manufacturers of the ten selected drugs does not go into effect until 2026, the industry in general reacted to the pending reality of mandated price setting with portfolio reassessments and layoffs. The industry shed 14,010 jobs in 2024 – an increase of 9% over 2023. Beyond the first round of IRA-mandated direct price negotiation between CMS and drug manufacturers, key events included ongoing congressional hearings that highlighted public concern about drug affordability, and legal challenges by manufacturers to ongoing implementation of the 340B Drug Pricing Program and pharmacy benefit manager (PBM) business practices.

Our survey revealed the top three challenges that Commercial organizations are facing this year. The first, not surprisingly, was the impact of the IRA, which has many manufacturers rethinking core assumptions regarding R&D, underlying costs, profitability, and commercialization strategies. The second challenge was the growing demand by payers globally for evidence as a factor in reimbursement. This has led to a dramatic increase in the attention given to building a compelling data case that brings product advantages to life. Lastly, interviewees reported that process enhancement, artificial intelligence (AI), and structural realignment presented unique challenges as manufacturers look to address the problem of needing to do more with fewer resources.

As in years past, our 2024 survey also explored how organizations have changed their approach to customer engagement and strategic account

management in response to the current regulatory and economic climate. Consistent with previous years, interviewees agreed that virtual means continue to be a critical engagement channel. Some organizations are interested in adopting more sophisticated digital technologies, but implementation is often slow due to lack of resources and leadership resistance to change. Most interviewees acknowledged that the conventional "feet on the street" approach to sales is no longer a sure strategy for success. In response, organizations are implementing strategic account approaches, though with varying levels of success. It is clear from our interviews that strategic account management is still a work in progress for most organizations.

While there is clearly movement towards a model that meets the needs of a market in transition, there is growing recognition that new tools and competencies are needed. The following report summarizes insights captured from a broad range of interviewees across the pharmaceutical and medical device industries. Questions were open-ended to draw out insights and perspectives based on interviewees' unique experiences. Numerof drew on our extensive expertise across the healthcare industry to analyze the findings and develop the insights throughout the report.

Introduction

Changes in the structure and dynamics of the healthcare market have been eroding the effectiveness of the commercial model on which most manufacturers have relied for some time. These changes were dramatically accelerated by the pandemic, resulting in a seismic shift in the global pharmaceutical industry. At the same time, governments across the globe have become more cost-conscious as pandemic-driven deficits were compounded by rising inflation. Limited public health budgets have impacted governments' ability and willingness to pay for innovative drugs, and policymakers globally are zeroing in on drug costs.

In 2024, the first round of direct price negotiation between CMS and pharma manufacturers mandated by the IRA took place.

The outcome was a reduction, between 38 and 79 percent, in list prices for the 10 targeted products. Although the negotiated prices don't take effect until 2026, manufacturers spent much of the year reassessing their pipelines, eliminating riskier products, and in many cases reducing head count in line with expected lower margins. Congressional hearings on medication affordability continued to keep public dissatisfaction with drug pricing in the spotlight. 2024 also saw manufacturers challenge the 340B Drug Pricing Program and PBM practices, both of which have served to put additional financial pressure on the industry.

But the list of challenges goes on … Providers in the U.S. face ongoing pressure to improve quality, reduce costs, and increase revenue in an environment of reimbursement constraints, demographic shifts, and technological change. The COVID-19 pandemic accelerated financial pressure on hospitals by interrupting cash flow for much of the pandemic. As healthcare systems continue efforts to stabilize their balance sheets, the cost to purchase new pharma products remains very much in focus.

Meanwhile, provider and payer integration has continued in the U.S. Physician practices and community hospitals are being acquired by large healthcare corporations, IDNs, and private equity firms, and payers are acquiring providers. A small number of vertically integrated insurers (along with their PBMs and retail pharmacies) process at least 80% of all scripts in the country and are currently the subject of investigations by Congress and the FTC for anticompetitive behavior.

Additionally, U.S. market consolidation has created fewer, larger customers with greater leverage. The physicians who once drove purchasing decisions

are increasingly employed by large, integrated delivery networks (IDNs). That small number of influential physicians who controlled purchasing decisions is being replaced by system-level committees on which physicians are but one voice. Fundamental changes to the commercial approach have been in the wind for quite some time, and the increasingly turbulent U.S. healthcare market is likely to accelerate these changes.

At the same time, physicians are selectively seeking product information, especially as the scientific complexity of some products (like biologics, cell, and gene therapies) increases, and the relative value of one over another for a given patient often requires technical discussion. At the height of the pandemic, physicians became accustomed to using alternate communication channels to obtain needed information without the need for on-site representatives. Given that experience, many want to use channels that are efficient, effective, and suited to their own communication preferences. All of this makes the conventional commercial model that much more out of step with decision-making reality on the ground, accelerating the need for change.

As a leading advisor to management in customized approaches to product and service commercialization, Numerof has committed to conducting ongoing research on the trends we see happening in the field. As evolving legislation and market consolidation ratchet up the pressure on price, it's important that manufacturers understand what competitors are doing so they can determine the best path to adapting their own commercial model. This year's report summarizes the changes in play, the lessons learned, and the challenges that must be addressed going forward.

About Numerof

Numerof & Associates has worked globally across the healthcare sector for more than 30 years, with a successful track record of engagements throughout industry segments – including pharmaceutical, medical device and diagnostic manufacturers, major payers, and academic and community healthcare delivery organizations. Our unique perspective allows us to anticipate market challenges from diverse stakeholder viewpoints. We understand how policy, demographics, and technology drivers are shaping the global environment and placing a growing premium on economic and clinical value. Numerof anticipated the changing attitude of payers and other critical stakeholders towards economic and clinical value, and we've helped clients differentiate their products in the face of intensifying competition and pressure from external stakeholders.

Numerof's expertise encompasses evaluating and developing clinical research programs, crafting global access and pricing strategies, and analyzing stakeholder value requirements. We work with Regulatory, Clinical,

Medical, Commercial, Market Access, and HEOR organizations, informing crucial decisions in R&D, clinical program design, pricing, and launch sequencing. This deep experience has solidified our reputation as a thought leader in global regulatory, access, and commercialization strategy, enabling us to provide strategic, operational, and tactical guidance.

Within the U.S., our firm has served as an advisor to members of Congress and CMS on healthcare reform, innovation, new payment models, and evidence requirements to support reimbursement. Numerof was commissioned to write a series of white papers on strategic development, market access, strategic pricing, and lifecycle management in the changing global healthcare environment and have done extensive writing on these topics for organizations like *BioPharm International* and *eyeforpharma*. Our firm's most recent book, Bringing Value to Healthcare: Practical Steps for Getting to a Market-Based Model outlines a market-based model emphasizing transparency, accountability, and outcome-based payments, themes also explored in Dr. Rita Numerof's Forbes column.

For further information, please call us at (314)-997-1587 or email us at info@nai-consulting.com.

The Evolution of the Commercial Model

For the fourth year, Numerof & Associates has conducted a study of the evolution of the commercial model across U.S. pharmaceutical and medical device manufacturers. As purchasing decision-making continues to shift from individual physicians to executive committees and population-based decision makers (PBDMs), we have focused on how the commercial model has shifted in response, from the traditional "feet on the street" approach to a greater emphasis on strategic account management.

This section summarizes findings from previous reports, outlining how manufacturers have changed their commercial model over the past four years in response to evolving market dynamics.

In 2021, the changes brought on by the COVID-19 pandemic were top-of-mind for manufacturers. The pandemic saw closed provider offices, cancelled elective procedures, redeployed staff and manufacturer's reps with no one to call on. This forced an almost complete shift to virtual interactions. While all stakeholders were craving a return to normalcy, the results of Numerof's survey showed that the "new normal" would be different in many ways from what was previously assumed in manufacturers' approaches to their commercial operations.

Key takeaways included:

- Enhancing digital capabilities was a prime area considered for additional investment
- Leaders were beginning to acknowledge that sales force size and engagement frequency weren't commensurate with financial performance
- Medical teams were in high demand
- The pandemic had accelerated demands from payers for data on the economic and clinical value of products
- The legacy culture in many commercial organizations was cited as a roadblock to responding to what payers and provider organizations seemed to want
- Most manufacturers expected virtual detailing to become a more prominent part of the sales model

In 2022, manufacturers were still coming to terms with the "new normal" brought on by the COVID-19 pandemic. Product adoption decisions continued to become more centralized and subject to more strategic and economic criteria. Many delivery organizations continued to restrict representatives' access to physicians while others eliminated access altogether. These dynamics put further strain on the traditional commercial

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model. Numerof predicted the need for manufacturers to quickly implement plans to keep pace with the rapidly changing healthcare environment.

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Key takeaways included:

- Most manufacturers agreed that digital content and virtual meetings would remain significant components of the customer engagement model, even if access restrictions were relaxed
- There was wide variation in the level of sophistication that companies brought to customizing their communication mix to customers' preferences and the technical complexity of the product
- Leaders continued to focus on developing new skills and capabilities for customer-facing representatives to ensure success in a virtual environment
- The need for engagement with cross-functional partners was recognized as manufacturers looked to build a more integrated approach to commercialization
- In-person interactions continued to be the preferred mode of engagement in specific situations related to factors like stage of product development, therapeutic area, and nature/size of the business
- Investment in more sophisticated strategic account management capabilities became more important to some manufacturers given the ongoing market dynamics

By 2023, the COVID-19 pandemic was no longer seen as the key issue for manufacturers. Instead, other challenges like provider and payer integration, physician practice acquisition, and a continued demand for products' economic and clinical value became top-of-mind. As patient-consumer dissatisfaction continued to grow in the U.S., Numerof predicted that the healthcare industry would face intense scrutiny, accelerating manufacturers' needs to make significant changes to the commercial model.

Key takeaways included:

- While in-person meetings continued to have value in specific situations, the majority of most organizations' customer engagement occurred through virtual means
- Investment in digital capabilities and content tailoring based on customer segment or preference became more important to manufacturers
- Leaders continued to demand more sophisticated approaches to strategic account management given ongoing market dynamics
- There was continued demand from PBDMs and purchasing committees for manufacturers to show the economic and clinical value of products

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- Organizations were moving towards smaller sales teams that target key KOLs and clinician influencers, finding that a reduced sales force could generate the same level of sales (or more)
- Manufacturers quickly began to evaluate the short- and long-term implications of the IRA by reducing the workforce and pruning R&D pipelines

In 2024, the effects of the pandemic were not even on the list of potential challenges for manufacturers. Instead, they were focused on: 1) the economic recession and the impact it would have on pharma innovation; 2) the price-setting effects of the IRA; 3) increased government scrutiny of healthcare practices (e.g., drug pricing, PBMs); and 4) the impending election and subsequent change in administration. As market dynamics evolved, Numerof explored the impacts these issues have had on organizations' commercial models.

Methodology

In conducting this research, Numerof wanted to continue to explore the longer-term changes manufacturers see in the market – specifically, the extent to which the recent policy changes (e.g., the IRA) and other market shifts (e.g., economic pressures, the growth of AI) have accelerated ongoing efforts to reconceptualize their commercial models.

In this fourth year of our study, we utilized the same approach as in prior years; we conducted a qualitative survey of 143 executives from 46 pharmaceutical and 11 medical device companies to gather insights and perspectives. The majority (63%) of the interviewees represented the following 5 functions: market access (21%), medical affairs (15%), commercial (8%), marketing (8%), and HEOR (8%). The remaining 37% were represented by a variety of related functions such as business development, government affairs, and R&D. Small-, medium-, and large-cap organizations were selected to ensure broad representation. While we spoke with executives who bring a global perspective, findings focus on the U.S. landscape.

Numerof used an open-ended interview approach to explore the way pharmaceutical and medical device companies have adapted their commercial models in response to major market shifts. Our validated, proprietary approach to the interview process is structured to ensure capture of deep insights and the ability to project anticipated reactions with a higher level of confidence than what is typically uncovered through traditional market research methods (e.g., advisory boards and surveys).

We first asked interviewees to identify the 2-3 top commercial challenges they saw ahead and then explored how they were planning to address each in 2025. Next, we asked interviewees to describe their organization's approach to customer engagement. Finally, we explored how interviewees are tackling account planning, emphasizing the role that strategic account management plays in their organization.

Key Themes and Insights

As described above, Numerof explored the way manufacturing organizations adapted their commercial models in response to the market shifts described earlier, starting with the top 2-3 commercial challenges for their organization. The three challenges consistently identified by interviewees were: 1) dealing with the impact of evolving legislation; 2) evidence generation and prioritization strategies; and 3) process enhancement and structural realignment. We then explored organizations' approaches to customer engagement and the role that strategic account management plays.

Top Commercial Challenge 1: Dealing with the Impact of Evolving Legislation

Manufacturers feel unprecedented pricing and regulatory pressure from payers. The IRA, focused in part on forcing drug prices down, is raising alarm bells for manufacturers.

The hallmark legislation that is top of mind for manufacturers in the U.S. is the IRA.

Key implications of the IRA that manufacturers must address in 2025 include price caps and their impact on revenue and innovation. Organizations continue to advance their product pipelines without knowing what the future will hold in light of the IRA and the new administration. In order to better understand what they can expect, many manufacturers are conducting deep analyses to understand short- and longer-term implications. The focus is to pressure test current pricing strategy to insulate products from IRA-associated rebates while ensuring optimal ROI. Those manufacturers approaching product launch are particularly concerned by the increased uncertainty around supportable pricing and price increases.

"What keeps me up at night is how [to] plan short-term actions with longer-term implications. It's really difficult right now."

"There's pricing pressure that can come at us a lot of different ways."

To mitigate risks and ensure business sustainability, manufacturers are rethinking core R&D assumptions, underlying costs, profitability, and commercialization strategies.

The IRA has increased the risk associated with drug development across the entire lifecycle. As such, commercial assessments are being made much earlier in the product life cycle to ensure products are worth the investment and have a strong potential to generate ROI. Manufacturers feel that differentiation and innovation are the two key elements of risk management and business sustainability.

"I think there's a heightened sense of appreciation, especially since IRA, of looking under the hood, so to speak, earlier and more often on the commercial assessments."

Organizations are also rethinking core business processes with cost reduction in mind. For example, several respondents explained that their companies are even considering direct-to-consumer options for distributing their products. They made the point that manufacturers can only lower prices so much when there are middlemen (e.g., distributors, wholesalers, PBMs, traditional pharmacies) in the distribution chain.

"Trying to figure out alternative ways to get our products to patients is one of the highest priorities right now for us."

Manufacturers, particularly large organizations, also recognize the need to leverage their industry influence to shape policies that support sustainable innovation while improving patient access.

In an effort to mitigate the risk that public policy evolves in ways that further burden the drug development process, manufacturers are considering new ways to influence the external policy environment. At the same time, they feel that public engagement and focused strategic discussions with key healthcare and policy stakeholders can help improve public perception of the company. Some manufacturers are exploring or employing innovative methods (e.g., public education efforts, targeted outreach to specific groups of potential influencers) to influence new legislation and improve the public's perception of the industry.

"Trying to address issues and improve bills, even if we don't like the bills, is something that we will do, but we'll also put forth all of our strong arguments for why changes should be made."

Top Commercial Challenge 2: Evidence Generation and Prioritization Strategies

Given that payers have raised the evidence bar, manufacturers are spending more time and resources on evidence generation strategies early in the product lifecycle.

Payers have made it clear that when it comes to setting reimbursement, they need to be convinced that the clinical and economic value in the product justifies the price being asked. That has raised the importance of a compelling data story that brings all of the product's advantages to life, whether they involve effectiveness, safety, downstream economic savings, etc. This is particularly true for new market entrants that are entering a crowded market. One manufacturer reported that, at their organization, the cost of data generation, interpretation, and dissemination as a percentage of R&D has gone up year after year.

Evidence standards look different now than they did ten years ago. In the past, randomized controlled trials (RCTs) were considered the only legitimate way to gather data on product effectiveness. Now, governing bodies, payers, and providers have come to see real-world evidence (RWE) as a legitimate and important way to demonstrate the effectiveness of new products relative to the standard of care. Therefore, manufacturers are looking to their HEOR and RWE teams to provide this data in order to make claims that will differentiate their product from the competition.

"I really see a greater investment in: a) clinical evidence; and b) a willingness by all stakeholders…to leverage data that may not necessarily come from traditional clinical trials."

While many manufacturers had initially speculated that the IRA would just be a price-setting exercise by the government, organizations are realizing the profound effects the IRA is having on how they differentiate their value proposition and build the business case for their products outside of just economics. This has increased the importance of an integrated evidence planning process and has raised the profile of HEOR in the overall response to the IRA. One interviewee reported that their HEOR team has actually been leading their organization's response to the IRA since they have one of the most widely used products in terms of CMS' cost.

"A big evolution is that HEOR has been front and center in the response to IRA both strategically and in terms of value proposition."

In order for manufacturers to meet their access and reimbursement goals, they look to Market Access and HEOR to play larger roles from early-stage through post-market evidence planning.

Compared to previous years, more manufacturers acknowledged the importance of ensuring that market access and HEOR considerations are being incorporated across the product lifecycle.

"We meet cross-functionally at least every two weeks, and some of our working groups meet on a weekly basis."

However, some organizations still have not taken the necessary steps to build cross-functional collaboration throughout the product lifecycle.

"I wish it was more collaborative. I think that there's a desire for it to be more collaborative, but I still think it's very fragmented."

With a continued need for "non-traditional" data (e.g., cost-effectiveness, QoL, PROs), some manufacturers are working to build evidence planning disciplines that will generate a comprehensive evidence package.

As manufacturers continue to feel the financial pinch of new legislation (e.g., the IRA) and the economic recession, both of which raise the risk of lower margins, they are turning with increased frequency to real world evidence to fill in evidence gaps to show product value relative to competitors. As manufacturers shift to a patient-centric mindset, their focus has turned to the incorporation of patient experience and RWE into the evidence generation process.

"Real world data becomes important as well [as clinical trial data] because you can demonstrate some sort of differentiation in actual practice. That's an interesting thing for us to take out to these physicians and payers."

"Clinical data of all sorts is becoming very important in the commercial success of products ranging all the way from approval to market expansion to convincing physicians to use the product or payers to pay for the product."

In previous years, manufacturers reported siloed evidence plans that weren't nimble enough to be useful in today's environment. Manufacturers recognize the urgent need to develop an integrated evidence planning process.

However, these same manufacturers report being in various stages of the actual *development* and *deployment* of these integrated processes.

"It's really interesting; we as an industry aren't where we need to be [in terms of integrated evidence planning processes]."

Top Commercial Challenge 3: Process Enhancement, AI, Structural Realignment

Budgetary pressures that demand increased efficiency have forced organizations to reassess core structures, processes, and resources.

The IRA and other policies aimed at reducing the price of drugs have redefined manufacturers' expectations regarding revenue. This has translated into a new focus on more efficient use of internal resources, as well as a reassessment of organizational design, roles, and responsibilities. Manufacturers have begun to emphasize collaboration, core capabilities, and strategy implementation. Increasingly, those teams that are not demonstrating clear value are at risk of being eliminated.

"Our first thought internally is that we want to hire people with good selling, communication, and problem-solving skills as well as someone who is strategic with pre-meeting planning, because the first meeting with the customer will either open the door or slam it shut."

"The timing of this call is funny because, in about three weeks, we'll be restructuring the entire organization. We're going to divide the markets up in a way where the brand leads'…focus will be more on strategy and leading/aligning across the customer engagement model."

"We need to find ways to continue to develop the brands without developing a silo-creating center of excellence for our relatively small, flat organization. We need to find ways to drive efficiencies…"

Compared to previous years, manufacturers have begun to more actively pursue the integration of artificial intelligence/machine learning (AI/ML) into existing workflows to enhance speed and efficiency while reducing costs.

For many organizations, the integration of AI/ML into existing workflows provides a solution to the need to do more with fewer resources. However, organizations are in various stages of implementing these technologies. Interviewees reported three main reasons for the slow implementation of AI/ML: 1) lack of funds and resources; 2) leadership resistance to change; and 3) a desire to be a fast follower instead of a leader.

"Everything now seems to be focused on AI and how to use AI, but we should have been doing this years ago. We are doing it in parts of our organization. We're just a little late."

"In general, it's how can you be more efficient with less people…we've got to figure out how to utilize non-human time because it just takes too much time for one person when we've already cut headcount."

"When it gets more to the AI/technology things, it's about how to reach out to the broader audience. How do you get to more markets and more people? That's where I see the value of AI."

"I think most companies are on the cusp of internal utilization [of AI] for account planning because it helps streamline a lot of the research side of it, but I don't think we fully understand provider and patient perceptions of AI in healthcare yet."

As they turn their attention to efficiency, organizations are asking more questions about the value of "non-sales" teams (e.g., field medical, government affairs) in customer engagement, and are pressing such functional groups to show business impact.

Most interviewees reported that traditional executives are skeptical about the increased use of staff in non-traditional education or relationship management roles (e.g., groups that target IDN relationship-building, expanded field medical teams that focus on education). In some cases, executive teams have chosen to back away from continued investment in client-facing non-sales teams. Additionally, companies have begun to focus on defining appropriate "impact" metrics, though many noted challenges in defining what "impact" means in their organization for most functions except Sales.

"[Metrics] are one [challenge] we're just working through now with legal, and we're trying to figure out what we can measure as well as how we can measure it."

"I think we do have to look differently at the definition of success. I think continuing to look at market research, the attitudes of customers, and how physicians are using the products is a good indicator."

"I would say that, now, we need good metrics whether they're sales measurements or whatnot because we need to be able to diagnose more quickly and pivot. That's what I feel like we're facing in the marketplace now."

"One of the biggest challenges is what [the metrics and goals] are and aren't. You can't take an account executive and hold them to a representative's sales metrics, but then there is the question of what the minimum viable offers (MVOs) are, what they look like, and how you measure them."

Approaches to Customer Engagement

Consistent with previous research, all interviewees agreed that virtual outreach continues to serve as a crucial engagement channel. Most interviewees said they rely on a mix of virtual and in-person engagement methods to optimize impact with customers.

During the pandemic, access restrictions forced manufacturers to rapidly build and rely on virtual interaction for all the purposes previously served by in-person visits. Since the end of the pandemic and the relaxation in access restrictions, virtual interaction has continued to be payers' and providers' preferred method of engagement. One reason for that is that these clients have limited bandwidth. Several interviewees noted that physicians do not have a lot of time to meet with sales representatives during their workday, given increased workloads. They generally prefer to have a limited number of meetings *virtually,* as it's more time efficient. Most manufacturers supplement virtual communication with email blasts, digital outreach, digital conferencing, and social media platforms.

"…COVID changed the game, so people know how to do remote much better."

"With the advent of telehealth, a lot of these physicians are 2-3 days telehealth, 2-3 days in-office, so that adds to [access difficulties]."

"The old way of engaging with these customers just has to be turned on its head because our old model just is so antiquated."

Interviewees thought in-person interactions were most valuable in initial meetings where it's critical to build relationships and gauge real-time customer reactions (e.g., conferences/conventions initial product education). Follow-up meetings and touch-bases were described as lending themselves to virtual and email communication. While interviewees acknowledged that access is harder in some TAs versus others, they agreed that the pandemic taught them how to have meaningful interactions virtually.

"My personal opinion is that it's easy to *maintain* a relationship on Zoom, but it's really hard to *create* a relationship on Zoom."

"I think, in general, access is harder in certain TAs versus others…I do think that the pandemic taught us how to have meaningful interactions [virtually]."

While organizations are interested in adopting sophisticated digital technologies to support customer engagement (e.g., digital marketing, customer analytics), investment in and implementation of these capabilities is slow.

Consistent with our previous surveys, manufacturers are interested in adopting digital marketing and data analytics techniques from the consumer retail industry to better facilitate customer engagement. They would like to be able to customize outreach based on customer profiles and preferences. That said, interviewees noted that the implementation of these technologies in new or existing workflows is slow, and the pharma industry still needs to learn to leverage them to their full potential.

"For us [in market access], there's really no digital means right now. If there's a news article that needs to get out there, we pretty much email it to folks."

"Our technology is not where it needs to be."

"It requires a concerted effort from the organization to have digital applications. There needs to be a holistic effort to define where you can leverage technology to increase effectiveness and impact. This is being looked at, but more can be done."

Strategic Account Management

With ongoing consolidation across the healthcare sector, the customer network for manufacturing organizations continues to shrink and become increasingly complex.

As in our previous surveys, interviewees agreed that customers look very different from the way they looked five years ago. They are fewer and larger, as hospitals consolidate into integrated delivery networks in the face of rising cost pressures. This has, in many cases, dramatically increased the IDN's purchasing power and leverage. In addition, there has been a significant change in the way IDNs make purchase decisions. Previously, a limited set of key clinicians largely made or influenced such decision making. But today, IDNs are moving toward a cross-functional committee structure, in which physicians are only one of many voices. Additionally, each of these complex organizations has a different strategic focus, different business components, different cultures, and they are at different stages of integration of their own

recent acquisitions. As such, manufacturers must ensure that customer-facing teams have an in-depth understanding of each customer's specific needs.

"We've changed the structure, but we're still trying to figure out what to do and how to approach the new customer base."

"'Little a' access refers to access to key stakeholders and physicians, and this is a challenge because, in general, people are busier, so it's hard to get in front of them. Additionally, fewer people are being asked to do more, so the ability to get in to see the people who are the actual decision-makers is more difficult."

Interviewees noted that key decision-makers are no longer a broad set of individual providers but are select senior executives (C-suite) and PBDMs who sit on administrative committees in these large enterprise accounts. Pharma companies continue to question whether sales models which target every prescriber are effective. In response, many pharma organizations are shifting their models to target select influencers, decision-makers, or committees that truly drive purchasing decisions, as they are finding this approach yields greater ROI. Some manufacturers have begun to move towards assigning enterprise responsibility to account managers.

"I think [one of our top challenges is] getting an organized approach to the customer, [figuring out] what true account management looks like in 2024 moving forward, how these large, organized customers want or need to engage with us, and then how we have to show up to truly become part of the fabric of their organization and come to the table with a business-to-business relationship and not a transactional one."

"The biggest change commercially is that a handful of account execs are taking more of a portfolio role for IDNs. They have an overall enterprise responsibility (above BU), looking to do pop health components, long-term contracts, vaccines, HIV, respiratory, diagnosis."

In response to consolidation and a shift in customer decision-making, some manufacturers are restructuring commercial teams to focus on complex accounts (i.e., from individual HCPs to C-suites and PBDMs).

Manufacturers are in varying stages of building account management teams with the leadership, expectations, competencies, and incentives needed to manage major accounts strategically.

Key Themes and Insights

"The medical team…is there to help out the sales force and to target the high prescribing [providers] around the country."

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"It's very product-centric, and it's informed by an incomplete picture of how our customers are engaging with our products, or our content, or our channels…We want to create these customer business plans at the account level that are informed by that 360° customer view and that are also dynamically adjusted based upon how our customers are engaging with our mix."

"We're on the cusp of an evolution to figure it all out. From a platform perspective, there's the main integrated account management role that's portfolio-wide…and then there's the service line account executives that own one particular area."

Commercial leaders are creating teams to call on C-suite level administrators and payers. These teams identify target accounts that generate the greatest value to the business and then focus on serving as the "quarterback" for those accounts. Other important skills for these teams include mapping key influencers and decision makers, developing account plans, ensuring tighter internal coordination and planning across functions, and working efficiently in matrix meetings. Leaders are beginning to understand the importance of developing teams who can appropriately engage the right expertise based on customers' questions, develop skills and capabilities to engage in sophisticated discussions with PBDMs, and enhance engagement materials to resonate with cross-disciplinary stakeholders.

"We're trying to organize the business of the commercial side. Our reps are talking to doctors and explaining the benefits of the products…Market Access is working with payers and IDNs, and my team is working with procurement people in the hospital systems."

"The goal for our account management team is to own [their own accounts]. We're trying to help them define the archetypes in each market, but ultimately it will be the responsibility of the account manager to go in and profile the accounts, see how they're utilizing different products, and put together account-specific plans..."

"[Our organization] has done a better job at building an organized customer approach and getting commercial, medical, and access working together with one 'quarterback' leading the team."

Similar to previous years, some manufacturers have begun to invest in upskilling customer-facing teams to meet the needs of C-suites and PBDMs (e.g., bringing a 360° customer view).

With a continuing trend towards more centralized decision-making, field-based staff (e.g., account managers, MSLs, sales reps) must continue to expand their capabilities to succeed in this more complex sales process. Individuals must demonstrate a level of business acumen that enables them to quickly zero in on target accounts, navigate and build relationships at the administrative leadership level, diagnose customers' needs, and translate how their company's products and services address these specific needs.

"The first step is internal education and making sure the account teams understand the environment."

"Even though there are separate account executive roles that have specific needs and things to be done, there needs to be a standard of expectation, training, and how we're thinking about account management today and moving forward."

Some organizations continue to train field teams to increase their knowledge and awareness of customer organizations (e.g., understanding their care delivery pathways, quality metrics, productivity goals, how decisions are being made, formulary processes) and translate insights into meaningful business solutions.

"You've got to go to the community, ask what their problems are, and then you can use good problem-solving skills to help them solve their problems."

"There are a lot of shared resources, so we want to further develop our medical communications capabilities and help them recognize that there may be ways that they can communicate with customers that are of greater value to the customers."

Conclusion

It is clear from our research that the commercial model is rapidly changing in ways that most companies did not predict three years ago. There is broad recognition that significant economic and policy pressures – notably, passage of the IRA – have accelerated the need to make significant changes. Organizations are at different stages in their commercial model evolution. The pace and scale of change generally reflect the resources available, leadership's perspective on the need for change, and the organization's typical approach to change, ranging from market leader to fast follower. Critical pressures include:

The Inflation Reduction Act:
Interviewees report the implications of the IRA; price caps have sparked a wide range of reactions. In response to the legislation, many interviewees reported that their organizations have begun rethinking core R&D assumptions, underlying costs, profitability, and commercialization strategies. Many organizations have invested in extensive analytics to better understand the direct and indirect consequences of price caps for product pipelines, revenues, and business sustainability.

Growing demands for evidence as a factor in reimbursement:
Manufacturers now place more emphasis on creating a compelling data story that brings *all* of a product's advantages to life in response to the higher evidence bar for reimbursement that payers demand. This data story increasingly includes the use of RWE to demonstrate the effectiveness of new products compared to the standard of care. To ensure manufacturers reach their access and reimbursement goals, Market Access and HEOR teams now play larger roles throughout the product lifecycle. Some manufacturers have reassessed and restructured their evidence planning disciplines to enable the creation of a more comprehensive evidence package.

Process Enhancement, AI, and Structural Realignment:
As budgetary pressures from policies and the economic recession redefined manufacturers' expectations regarding revenue, organizations began to reassess their core structures, processes, and resource utilization. The integration of AI/ML into existing workflows provides a new solution to the problem of needing to do more with fewer resources. However, many interviewees reported being in the early stages of gradual AI/ML implementation. Finally, as organizations continue to evaluate how resources are being used, many have begun to better define desired business impacts from "non-sales" teams like Field Medical, Market Access, and Government

Affairs. This creates challenges for these teams to define what "impact" means for their organization outside of traditional sales metrics.

Approaches to Customer Engagement:

Consistent with previous years, all interviewees agreed that virtual means continue to be a critical engagement channel. While the pandemic's access restrictions have ended, virtual interaction continues to be many customers' preferred engagement method due to limited bandwidth. However, interviewees noted that in-person interactions are still valuable in meetings, critical to building relationships, and gauging real-time customer reactions (e.g., new technology/indication, new data, initial product education). Some organizations are interested in adopting more sophisticated digital technologies that would enable the customization of outreach based on customer preferences. That said, interviewees report that the implementation of these technologies is slow, due in large part to lack of resources and leadership resistance to change.

Strategic Account Management:

Most interviewees said that in their organizations it was generally acknowledged that the conventional "feet on the street" approach to sales is no longer a dependable strategy for success. Driven by a shift in decision-making from clinicians to a broader group of stakeholders, interviewees largely agreed on the need for a more sophisticated approach to large, complex accounts. Those organizations that are implementing strategic account approaches find that they need new capabilities, including: 1) better integration of Medical, Market Access, and HEOR staff; 2) business acumen and influence skills; and 3) skills to enable more effective strategic relationships. At the same time, even those interviewees who are further along in the journey consistently noted that challenges persist (e.g., ensuring clear division of roles, responsibilities, and smooth hand-offs across different members of a cross-functional account team). Clearly, strategic account management is still a work-in-progress for most organizations.

While there is movement towards a model that meets the needs of a market in transition, there is growing recognition that new tools and competencies are needed. The most commonly cited challenges in securing these tools and resources include internal competition for funding, and the focus, discipline, and follow-through needed to implement new technologies and capabilities.

Going forward, there is no one-size-fits-all. Many factors shape what the optimal model will be for any given organization. The journey ahead, while difficult and non-linear, is critically important. Indeed, the success of pharmaceutical and medical device manufacturers depends on their ability to get this right, and our society has a vested interest in ensuring that they do.

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