Interview: Patrick Biecheler – Senior Partner, Pharma & Healthcare, Roland Berger, France



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Roland Berger's Patrick Biecheler discusses the French healthcare system, their role in offering specialized consultancy services to the pharmaceutical sector, and the digitalization of the healthcare industry.

Can you please start by giving us a brief overview of Roland Berger's "Healthcare Competence Centre", the rationale behind basing it in France, and the strategic importance of Roland Berger France to the company's operations in the life sciences domain?

Roland Berger is the only global consulting firm of European origin. We use a different approach and strategy to that of our American counterparts. Our company strategy is built on a multi-domestic approach where we focus on customizing our product offering to match national conditions while leveraging the ability to combine expertise at a regional and worldwide scale. This is not the typical approach that you would find in an American firm, but it works for Roland Berger. We originally focused on working locally with affiliates of our clients to "prove ourselves" before working with them at the European level or on a more global perspective.

Roland Berger is selective in the projects it chooses to work on. We focus on having employees that can work personally with our clients at C-level to help address their strategic agenda and increase

their performance, be it in manufacturing, R&D productivity, marketing and sales efficiency. In Pharma particularly, we help our clients with launch readiness for new products considering topics such as go-to-market approach, market access with nowadays an increased focus on pricing and trading issues.

We have not yet reached critical mass level in the US. In the US, we have partnered with another consultancy firm, Huron Consulting, which acquired the Frankel group, a pharma-specialized boutique. The decision to partner within the US was taken to increase our position in the market, while providing Huron Consulting with our resources in Europe or Asia when needed. Our companies have similar cultures, creating a strong bond and a very healthy relationship. We have a mutually beneficial partnership which in Pharma helps resolve our historic limitation that we have had in the US. Indeed, in 1988, to finance overseas expansion, Roland Berger allowed Deutsche Bank to take a stake in the company which rose to 75.1% that year. But this proved to pose some issue in the US, where the Federal Reserve Bank did not allow subsidiaries of commercial banks to practice consulting. Roland Berger's managers then bought back Deutsche Bank's shares as of 1998. We now have an established foothold and as said, our plan is to grow the business significantly.

Outside of the US, we have achieved critical mass in Europe, China, Middle East, and Africa, but we are now looking for other means to grow Roland Berger abroad. Our first strategy is to grow organically with selected partnerships and acquisition where relevant.

At the moment Pharma and Healthcare account for seven percent of our global sales. We would like to further increase in this sector as a whole, since there is huge potential for our firm to develop its presence in this industry.

Roland Berger enjoys a wide range of capabilities across the healthcare and life sciences sector: not only assisting pharma clients with strategy development and healthcare providers with operational effectiveness, but also in advising the government on policy formation and cost-containment. What areas are the main growth drivers right now in terms of workload and revenue generation? How is this evolving over time?

Roland Berger is currently focused on the agenda of our clients' CEOs, to ensure that profitability remains stable at a time where prices are insecure. One key topic deals with portfolio management, anticipating value of products and projects, also at a very early stage (pre-clinical) to focus investment and external growth on the appropriate areas. Secondly, we see an increased

focus operating model optimization in a context where customer facing activities or manufacturing need to be reconsidered and challenged as core activities. On market access issues we support our client in developing more comprehensive healthcare solutions such aiming at improving reimbursement / funding schemes, and creating a favourable ecosystem for all patients. We help our clients decide on issues of how to price products, what value proposition should be offered to payers, patients and healthcare givers, and in which markets specifically. Looking at solutions that can add value to sophisticated drugs is our main goal.

With most European markets under sustained cost pressure, the issue of securing market access is becoming increasingly important to innovation driven pharma firms operating in France. How can Roland Berger practically assist with this process?

We help mobilizing all relevant teams at our clients (medical, market access, marketing, etc.) well-ahead of launch. We start working five years before the actual launch of a product by discussing the target product profile and questioning whether clinical trials would be able to prove the efficacy of the drug. If our clients happen to be faced with a mitigation plan for a product launch, we use our expertise to help them.

We also look into the operational side of the business; how we can streamline operations and make the business more efficient. We are looking to digitalize all these operations and remove red tape in the process. Creating digital communication forms for our clients, physicians, and patients is our next target and one of our top priorities; as medical and marketing teams rarely exchange information currently.

E-health needs to deal with its current paradox: most of current “E-solutions” are aimed at “wellness for health consumers,” aged 35 to 55 when digital solutions represent a huge performance optimization for patients between the ages of 65 to 80. This population is the one that consumes the largest amount of drugs but the challenge we face is that such patients are not naturally prone to digital devices. Chronic patients could be the best candidates for digital and e-health. We are creating new innovation that is progressively creating a new environment for non-digital natives.

We note that Roland Berger is estimating that France’s digital health sector is going to be worth some EUR 3 billion (USD 3.4 billion) by the end of next year. You yourself are on record predicting that technology companies will not merely be healthcare actors of the future, but the real winners. Can you please elaborate on this and the likely impact the digital revolution will have on your clients?

Companies such as Google, Apple, Microsoft, Amazon, and IBM have invested financial and scientific capabilities in the field of healthcare in recent years, where they can leverage their technological agility to accumulate, aggregate and interpret a tremendous amount of information. These companies have technical expertise, notably in data management that many pharmaceutical companies do not; they also benefit from strong brand equity and trust from users (healthcare professionals as patients) to encourage them to accumulate data through the solutions they provide. Most importantly, looking at E-Health through the eyes of a patient (and not a specific drug) they are capable to aggregate information across several treatments for a same patients through “universal platforms”, when a pharmaceutical company will be by nature focused on a treatment or a specific condition.

Due to this unique positioning of the “GAFAM” (pure digital players), the pharma industry needs to understand how to best partner with them to develop innovative solutions along the whole healthcare value chain.

The pharmaceuticals industry can accumulate great knowledge from using digital platforms; it can learn to adjust its value proposition and operation models to shorten lead times and bring information to health officials on health economics and the cost benefit ratio. We are looking at solutions that are less invasive and more efficient to be able to bring the same results to customers.

When we spoke to Francois Sarkozy of FSNB about the comparative competitiveness of the French pharmaceutical sector, he noted that France demonstrates great entrepreneurial potential (huge numbers of biotech start-ups) but never manages to fulfill this potential due to the lack of a supportive environment to bring innovations to commercialization. Do you agree with this assessment and do you see any signs of this changing in the light of recent developments, such as France’s Minister for the Economy, Industry and Digital Affairs Emmanuel Macron “La French Tech” initiative?

Historically, French healthcare and drug landscape have typically been large in volume and low in prices. The chemical industry and pharmaceutical industry grew significantly in France due to the size of population and our national health system, which favored broad consumption of new drugs being launched. The national health system can no longer sustain demand which is by nature infinite since it does happen to have a limited budget. The idea that healthcare is a universal and publically funded good is being strongly challenged. As a consequence, economic assessment of new compounds is being revisited. Looking at a “cost plus” dimension or setting “pay-for-performance” schemes for pharmaceutical companies are systems that can be used by the

regulator to help evaluate innovation for companies.

We have an excellent education system and the academic background in France is very strong. But we need to look at what can be changed or fixed in our national health system, although fixing this issue may have repercussions. France does have the right assets to be able to take the country's pharma market to the next level, but to be able to do this we should invest further into innovative ideas and tactics for the market. Since the country has a history of low prices and a rather lengthy and unstable / unpredictable market access landscape, it can make the idea of the country a less favorable place for business. We need to look at how we can be more competitive, rather than only focusing on how we can challenge reimbursement or price of new drugs as a short-term cost containment driver.

How can the French pharmaceutical sector become more competitive? Your own CEO, Charles-Édouard Bouée, recently wrote an article in *Harvard Business Manager* entitled, 'Mind over Muscle,' suggesting that European mid-cap firms should stop trying to emulate their US counterparts and instead start playing to their traditional strengths: versatility, capacity for collaboration, and profound understanding of industrial value creation.

Half of the top ten pharmaceutical players are American companies. The reason that they were able to grow so quickly is because of the sheer size of their home market and level of innovation. However, it must be said that the European market is just as big as the American market. Companies like Sanofi, GSK and Astra Zeneca were nurtured in the European market and in turn were able to grow. We should stop looking at the local capacity and start branching out further regionally in order to grow inside Europe, with a unique ability to understand and cope with the inherent complexity of multiple market situations across Europe. Moreover, the perception of European companies is very strong in emerging markets, but these markets require a different type of business model. Leveraging existing assets "in-house" but also collaboration across academic and industrial players, European pharma players can be much efficient in making "Pharma 4.0" happen.

Please give us a few final words on Roland Berger France.

Roland Berger looks for ways to further foster innovation, since this is the primary source of value creation in the pharmaceutical industry. We need to focus on training the pharmaceutical industry and help support them to rethink their traditional business model. We should also prepare for the future and envision worst case scenarios. It might be favorable to assess hypothetical situations on

whether large pharmaceutical companies would be able to manage their business if they had to cut prices in half.

As Andrew Witty of GSK recently remarked, “Why is it that the pharma industry is the only industry where prices tend to rise, when in all other industries prices tend to go down over time?” As an industry, we would do well to reflect on this.

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