

Transforming Commercial Distribution Channel Solutions

A top-10 pharmaceutical manufacturer had not refreshed their distribution services agreement (DSA) in over a decade. As a result, their distribution model relied on outdated modes of control, did not support the site of care landed product cost and it was not well positioned to support the future portfolio, consisting mainly of specialty and orphan drug brands. Initial discussions with the client's distribution accounts were leading the client team to believe they would have to spend \$50M – \$100M in additional fees and discounts to support their current distribution model over a 3-year contract term.

Problem

The client's project sponsors needed support to understand a contemporary view of the pharmaceutical trade and distribution channel to their organization, while also building a strategic business case that would support a new way of engaging with distributors. To date, the client organization had a long experience history grounded in primary care products. Unfortunately, many of the primary care product distribution practices were outdated when applied to their growing portfolio of specialty products. Based on the historical nature of the client's distribution approach, end customers' sites of care were unhappy

which led to material lost sales. Blue Fin Group discovered that the missing piece was disconnections leading to a lack of distribution channel control and visibility to the undesirable customer outcomes. There was a measurable opportunity for the company to pursue a new distribution channel trajectory, where an evaluation of the unique attributes of each product could align to organizational efficiencies and ensure that their products reached the end customer at the appropriate landed cost.

Blue Fin Group Solution

Blue Fin Group structured its approach around our proprietary methodology and strategic design of the client solution. For this client solution it was incredibly important to: (1) build a solution that supported transition for this large pharma organization and (2) align and motivate each of the commercial functional siloes on the need for a distribution model change and the strategic rationale supporting the change. To provide a solution for the client, it was critical to conduct the internal and external research and analysis to truly understand the client's situation and to identify points of friction in the distribution model and the client organization to understand the problem differently. This important step created the fertile ground necessary to identify the root-cause of the distribution



misalignment and establish the rational need for a large scale organizational change. Through the process of building and socializing a prioritized set of distribution channel objectives, aligning the distribution design solution options and then representing the solution in a business case; key stakeholders and decision-makers were capable of approving the distribution model change. The distribution solution became a motivating and credible path to implementation and execution.

Benefit to Client

This established large scale pharmaceutical manufacturer client required a new philosophy on their distribution trade and channel approach that set the organization on a path for successful in specialty product categories. Supporting a distribution channel transformation required

an approach to align organizational siloes across the commercial organization and harmonize distribution service fees with value to the end customer. The benefit of the new distribution channel strategy afforded the client to place appropriate controls around class of trade (COT) and ensuring that each brand was able to be placed in a channel design that aligned to its unique patient, product, provider, payer and physical channel considerations. The result was the most beneficial distribution channel and trade negotiations in more the a decade. In the end, the client was able to save >\$200M on its distribution costs over the 3 year term and launch a cross-functional governance committee supporting distribution oversight that facilitated informed decision-making as they launched new products in multiple speciality therapeutic areas.

In Summary

Large scale organizational change is one of the most difficult things a pharmaceutical company can engage in large pharma. It requires cultivating champions, managing competing priorities and defining to the opportunity for change. This project was the first step in what became a 5-year journey and beyond to align the distribution channels and realize the financial cost savings. This outcome prepared the manufacturer client as a strong partner for patients and prescribers in a way that it was not capable of previously.

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