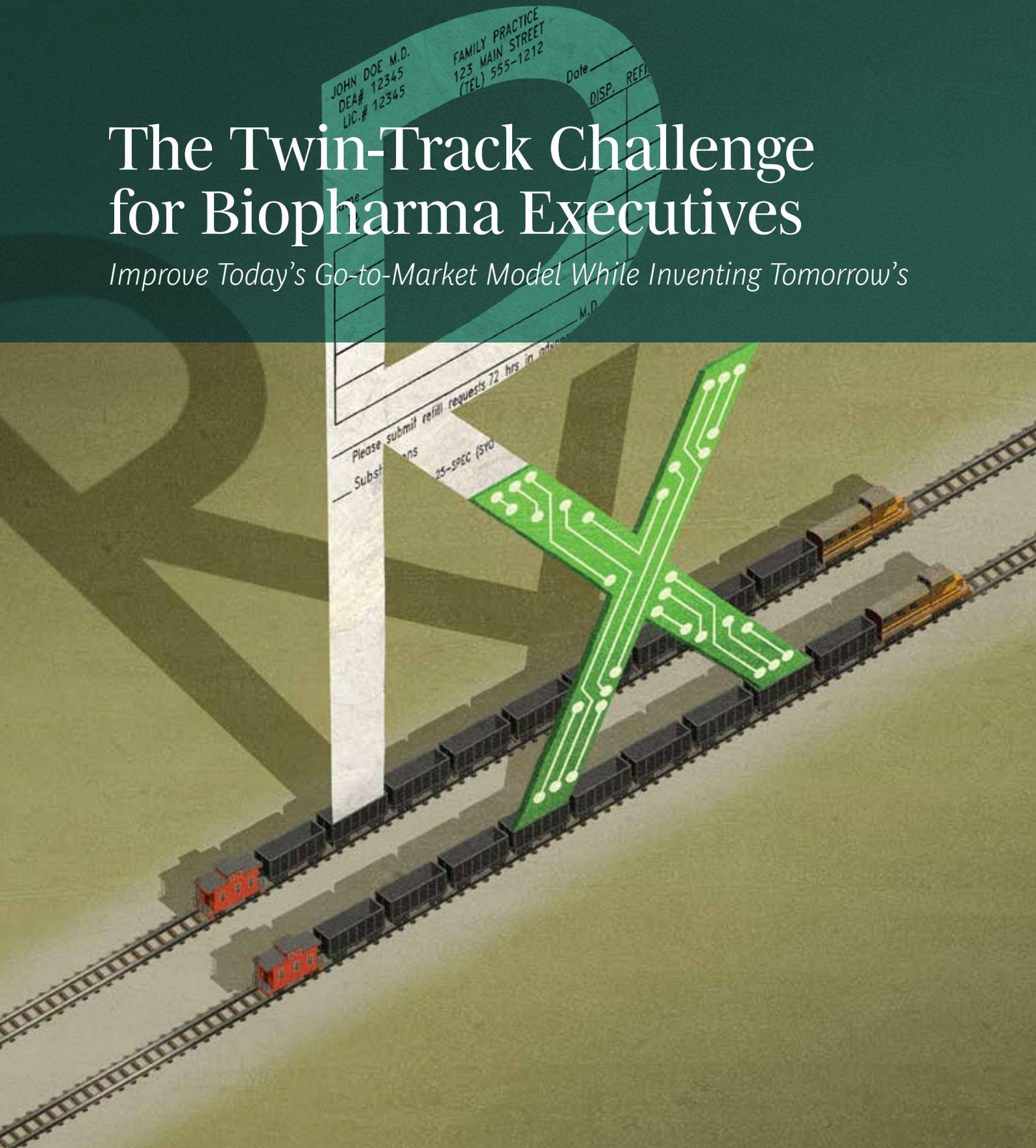


The Twin-Track Challenge for Biopharma Executives

Improve Today's Go-to-Market Model While Inventing Tomorrow's



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The Twin-Track Challenge for Biopharma Executives

*Improve Today's Go-to-Market Model While
Inventing Tomorrow's*

**Jürgen Lücke, Caroline Teichmann, John Gooch, Ken Keen,
Mathieu Lamiaux, and Osamu Karita**

August 2013

AT A GLANCE

According to research by The Boston Consulting Group, biopharmaceutical companies that have adopted a disciplined approach to customer excellence have seen productivity gains of 10 to 25 percent. The most successful companies have a twin-track mindset: they improve their current go-to-market approach while working hard to develop new models.

FIVE WAYS TO DRIVE CUSTOMER EXCELLENCE

For the greatest impact, companies should fix the basics, adopt integrated customer approaches, use smart “multichannel” approaches, practice tiered selling, and sharpen the role of the first-line sales manager.

START WITH A HEALTH CHECK

Senior executives can use BCG’s simple “health check” tool to help secure organizational buy-in, pinpoint the actions that are likely to have the most impact, and generate objective analyses of their customer-facing skills.

BEING AN EXECUTIVE IN the biopharmaceutical industry has never been tougher. The sector's business model is under tremendous pressure—internal as well as external—and that pressure is not about to abate. What's more, the go-to-market model itself has to change; relying on traditional approaches is no longer enough. Field sales forces, still biopharma companies' biggest investment on the commercial side, must also find ways to do more with less.

The external pressures, such as onerous regulations designed to limit health care costs, are all too familiar. The internal pressures are even more painful: witness the struggles to replace blockbusters whose patents are about to expire, the unsolved question of the industry's sagging R&D productivity, and the collisions with investors' requirements. (See *Can R&D Be Fixed? Lessons from Biopharma Outliers*, BCG Focus, September 2011.) Biopharma companies are having some success with promising new drugs, but these products generally address very small customer segments, often just niches—which means that many more products must be manufactured to produce the amount of revenues generated by the big winners of the past. And thus far, few companies can boast of compelling new growth stories; fewer still are close to meeting their shareholders' expectations for profit margins.

The good news is that companies can blunt the edge of these challenges by significantly improving the efficiency and effectiveness of expenditures on customer-facing resources. According to research by The Boston Consulting Group (BCG), biopharma companies that have adopted a disciplined approach to customer excellence have seen productivity gains of 10 to 25 percent. The gains can be taken as cost savings or reinvested for growth: some companies have saved hundreds of millions of dollars in costs, while others have achieved revenue growth of more than 7 percent annually. As a result of their go-to-market makeovers, these organizations' customer-facing functions are spending more productive time with more receptive customers. And at the best companies, these wins are not temporary; mechanisms are put in place to ensure that the improvements are maintained and can be built upon.

For many biopharma companies, however, customer excellence is not a high enough priority. The prevailing mindset is that today's go-to-market model is not rocket science and that the sales side of the model has been tweaked and tuned as much as possible. (See the sidebar "Could This Be *Your* Company?") Another line of thinking—equally closed-minded—is that the time-honored go-to-market model is obsolete and that, these days, sales is all about an entirely new model.

A disciplined approach to customer excellence boosts productivity.

COULD THIS BE YOUR COMPANY?

Many executives in the biopharmaceutical sector do not make customer excellence a priority; rather, they believe that little is to be gained by trying to further improve sales methods. The following examples highlight the gap between what executives think and what sales staff actually must contend with in the field.

Belief:

“We’ve been working on sales force effectiveness forever. There’s nothing else we can do.”

Reality:

Field sales representatives say they have no competitive edge during interactions with their customers.

Belief:

“The traditional sales model is dead; it’s all about the new model.”

Reality:

The sales force continues to see improvements in market share in some areas when stepping up share of voice.

Belief:

“We’ve been talking about the new commercial model for the past ten years; there’s nothing new here.”

Reality:

We haven’t really moved from talking to implementing the new go-to-market approaches that are supposed to replace significant parts of the existing model.

Belief:

“We’ve been moving to a much more customer-centric selling model.”

Reality:

We have so many customer-facing functions—key account managers, field-based medical liaisons, field-based access experts, health economics specialists—that they’re all tripping over one another on the customer’s premises.

BCG believes it is better for biopharma executives to adopt a twin-track mindset, working hard to develop new models but concurrently seeing room to get more out of their existing go-to-market models.

We argue that those beliefs must make way for what we think of as a twin-track mindset—one that recognizes the value of getting more out of the current go-to-market model while, at the same time, working to develop a new one. This mindset, which should be held consistently across the executive team, rejects both the “we’ve already done this” mentality and the idea that dazzling new go-to-market models will save the day. It is a grittier perspective that accepts the reality of the hard work required to revamp the current model. It also embraces the notion that customer excellence provides a competitive edge, and thus is worth investing in, and recognizes that pursuing customer excellence is a continuous effort that delivers high impact both in the short term and in the long run.

Five Ways to Drive Customer Excellence

BCG deploys a customer excellence framework to help biopharmaceutical companies get the best out of their go-to-market discussions with health care professionals.

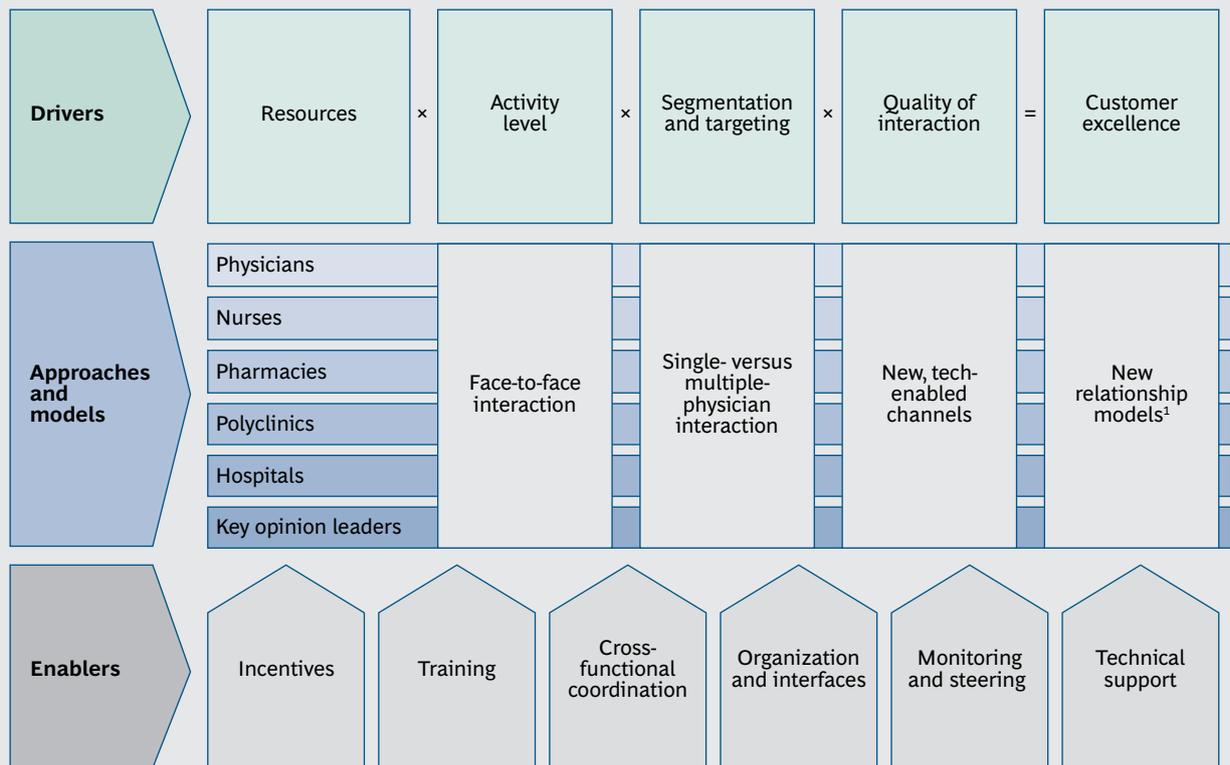
(See Exhibit 1.) Although the specific opportunities and interventions vary across companies, five common themes that yield the highest impact across a wide swath of disease areas and circumstances emerge time after time.

FIX THE BASICS

Many biopharma executives think they’ve already done everything they can to improve their basic sales effectiveness. However, some real doubts are starting to creep in about the results of those efforts. We have heard biopharma leaders say things such as, “We still have several thousand sales people out there, but we don’t have much transparency into what they actually do nowadays.” Two aspects of the basics need particular attention: market segmentation and targeting (S&T) and sales activity levels, as measured by the number of days that sales representatives spend in the field, how many calls they make per day, and how many details are explained per call.

Get S&T right. This fundamental element of customer excellence has gotten short shrift in recent years. Too often S&T is poorly implemented or too complex to work in the field. One key is to keep things simple: employ practical approaches that are based on deep customer discovery. Conceptually elegant frameworks

EXHIBIT 1 | A Customer Excellence Framework Helps Biopharma Companies Optimize Their Go-to-Market Approach



Source: BCG analysis.
¹Includes tiered selling, key-account-management approaches, and integrated selling.

that have many subsegments will hit plenty of roadblocks during implementation.

Another key is to tie S&T clearly to customer potential because, in the end, a customer excellence initiative is about sales. Segmentation should always be able to highlight buyers with the greatest potential: for biopharma companies, this means the physicians and hospitals that are most likely to buy in large volume. Biopharma companies that have not reexamined their S&T activities for a few years—and they are more the norm than the exception, unfortunately—are almost certainly missing big opportunities today. Time and again, we have seen examples of companies whose quite modest efforts to upgrade segmentation have produced striking results.

At the same time, companies should implement mechanisms for rooting out poor execution against plan and eliminating it whenever and wherever it is found. They should also create opportunities for discovering what's working and for making adjustments where needed; no S&T effort is set in stone. An effective S&T program will have built-in revision points to enable the organization to adapt as more is learned or as market shifts prompt course corrections.

Finally, it is essential not just to track compliance with the segmentation effort but to actively encourage and reward it. Though these rules are very basic, underestimating their impact would be a big mistake.

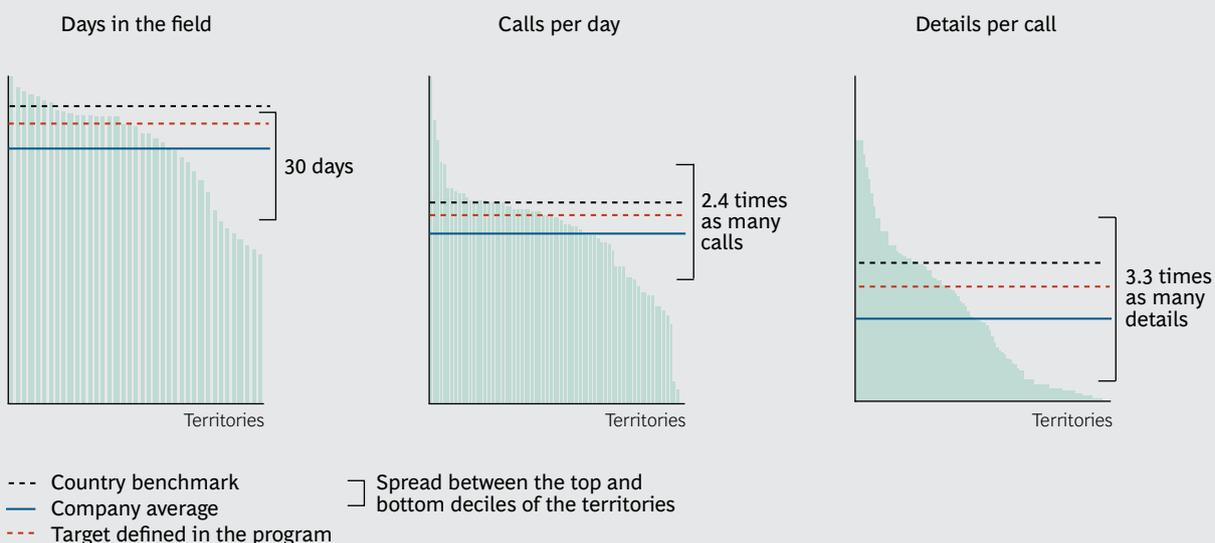
Improve sales activity levels. Most companies now recognize that the quality of customer interactions trumps quantity. Yet in our experience, great opportunity still exists for getting sales activity levels up to best in class. The key is to carefully and systematically examine the underlying factors that could be suppressing those levels. Some may be circumstances that the sales representative cannot influence, such as territory cuts, access restrictions, or an ineffective team-management approach by the first-line sales manager (FLSM).

Even modest efforts to upgrade segmentation have produced striking results.

Sales force activity in the field varies greatly across territories, and the activity levels at many companies lag behind those viewed as the benchmarks for a region or a country. Exhibit 2 shows the starting point for one biopharma company. The customer excellence team was able to quickly identify best-in-class sales activities, set clear targets, and sharply reduce the delta in many activities; in the first six months, the team boosted days spent in the field and calls per day. Averaged across the global sales organization, these early gains were equivalent to adding 350 full-time representatives to the company's 4,000-strong field sales force. In some countries and sales lines, productivity increased even more—by as much as 15 percent.

In addition to increasing activity, companies must train their reps to make the best use of their limited time with each customer; ideally, customers should view reps as partners in a discussion. To this end, reps need to become experts on the therapeutic benefits of the products they're selling and learn how to interact effectively with their customers. By the end of their training, reps should be able to open a conversation, present therapeutic options, answer questions, counter objections, and close the dialogue with clear agreement on next steps.

EXHIBIT 2 | Sales Activities Across Territories Can Vary Greatly—and Fall Short of Country-Specific Benchmarks



Source: BCG analysis.

Note: The spread between the top and bottom deciles indicates the potential for improvement in sales activities.

There are two relatively straightforward ways to provide this education. The first is formal product certification to make sure that reps and other customer-facing staff really understand the science behind the products and can explain it to discerning physicians and other customers. Ideally, every rep should undergo product certification at least twice per year, enrolling in both online and classroom courses, some of which should include role-playing exercises. The second method, a formal global-selling skills framework, ensures that customer-facing professionals are regularly trained in sales techniques and coached by FLSMs. The framework also establishes platforms that product teams can use to craft realistic and practical marketing messages.

Many biopharma companies fall short on both counts even though these mechanisms are relatively easy to develop and sustain. Such companies develop a new mix of go-to-market techniques for each product and provide only scattershot product certification—if any at all.

TRANSITION FROM SILOS TO AN INTEGRATED CUSTOMER APPROACH

Most biopharma companies today deploy a host of customer-facing functions in addition to a traditional sales force, such as key account managers, field-based medical liaisons, field-based access experts, and health economics specialists. Too often, however, these functions are “siloesd,” with little or no coordination around key stakeholders, and don’t reach their full potential. What’s more, they can produce uncoordinated, duplicative approaches that increase customer dissatisfaction. It’s not unusual for sales reps to call on physicians who have just met with the biopharma’s field-based medical liaison—sometimes only hours earlier.

What's needed is an integrated, cross-functional approach that creates a richer, well-orchestrated experience for customers. Harmonizing the relevant parties' activities around the customer experience becomes the foundation for the process, and it begins by creating a joint understanding of the company's objectives and the customer's needs.

The next step is to translate those objectives into function-specific and commonly understood goals, doing so while respecting the legal boundaries between medical practice and commercial activity. This is the basis for aligning on the principles for coordination among those functions and for creating properly integrated customer plans. For instance, there may be structured account plans that encompass all functions, with an account owner who guides and manages the overall approach. Such a plan typically features an overview that summarizes the strategic objectives for the account, the organization, the decision makers, and the competitive situations at the associated hospital. The plan also outlines all the activities—including visits, joint studies, events, and so forth—planned with the customer, thereby ensuring an orchestrated cross-functional approach.

MOVE FROM ONE-OFFS TO AN INTEGRATED MULTICHANNEL APPROACH

In recent years, “multichannel” technologies have created new opportunities for approaching customers in more cost-effective ways, and many other industries—automotive, retail, and consumer goods, to name a few—have quickly implemented them in their go-to-market approaches. The biopharma industry, however, still underutilizes multichannel technologies. Admittedly, the sector has tougher compliance mandates to deal with, but that should not become an excuse for failing to integrate with a true multichannel approach. Technology-based tools can do much to integrate approaches and provide every relevant biopharma group with transparency and coordination on all activities that pertain to a particular customer.

A myriad set of options exists, but only limited public data are available concerning which approaches are the most effective and efficient, and which key success factors are likely to get the best return from these types of new interactions. Therefore it is essential to study pilot programs and to look closely at what has worked—or not worked—in other industries.

BCG has devised a *channel compass* tool to help companies develop the best mix of sales channels for a given product portfolio. Working in collaboration with the brand team, the customer-excellence task force first evaluates each potential channel against the product and the customer's characteristics. (See Exhibit 3.) The team then maps the current channel mix and investment allocation against the compass to highlight areas of apparent over- or underinvestment. The last step is a set of return-on-investment deep-dive analyses for the channels that merit sizeable investments to determine optimal budget size and allocation.

EMPHASIZE TIERED SELLING APPROACHES

In most industries, top-tier customers are treated as key accounts and served by a dedicated field sales force that is more highly qualified than the sales force for the company's midtier customers. Often, high level accounts are offered a range of

An integrated, cross-functional approach creates a richer experience for customers.

EXHIBIT 3 | The Channel Compass Tool Highlights Which Channels Create the Most Value, and When

			Detailing channels						Complementary digital channels			
			Traditional face-to-face interaction	Interfacing roles	Product information	Face-to-face interaction via tablet	Telephone	Video	E-mail	eCME ¹	Portal	Social media
Brand	Message complexity	Complex	High	High	Low	High	Low	Medium	Low	High	High	Low
		Simple	Medium	Low	High	Medium	High	Low	Medium	Low	Medium	High
	Stage of life cycle	Launch	High	High	Medium	High	Low	Medium	Low	High	High	High
		Decline	Medium	Low	High	Low	High	Medium	Medium	Low	Medium	High
	Sales value	High	High	High	High	Low	Low	Low	Low	High	High	Low
		Low	Medium	Medium	High	Low	High	Medium	Medium	Medium	Low	Low
	Competition	High	High	High	High	Low	Low	Low	Low	High	High	Low
		Low	Medium	Medium	High	Low	High	Medium	Medium	Medium	Low	Low
Customer	Customer value	High	High	High	High	Low	Low	Low	Low	High	High	Low
		Low	Medium	Medium	High	High	Medium	Medium	Medium	High	High	Low
	Relative cost of face-to-face reach	High	Medium	Medium	High	High	High	High	High	High	High	Low
		Low	High	High	High	High	Low	Low	Low	High	High	High
	Technology preference	Early adopter	Medium	Medium	Medium	High	Medium	High	High	High	High	High
		Tech-phobic	High	Medium	Medium	Low	Medium	Low	Low	Low	Low	Low

● High suitability
 ● Medium suitability
 ● Low suitability/unsuitable
 ● Potentially harmful

Overall mix of channels based on brand dimensions and customer characteristics

Source: BCG analysis.

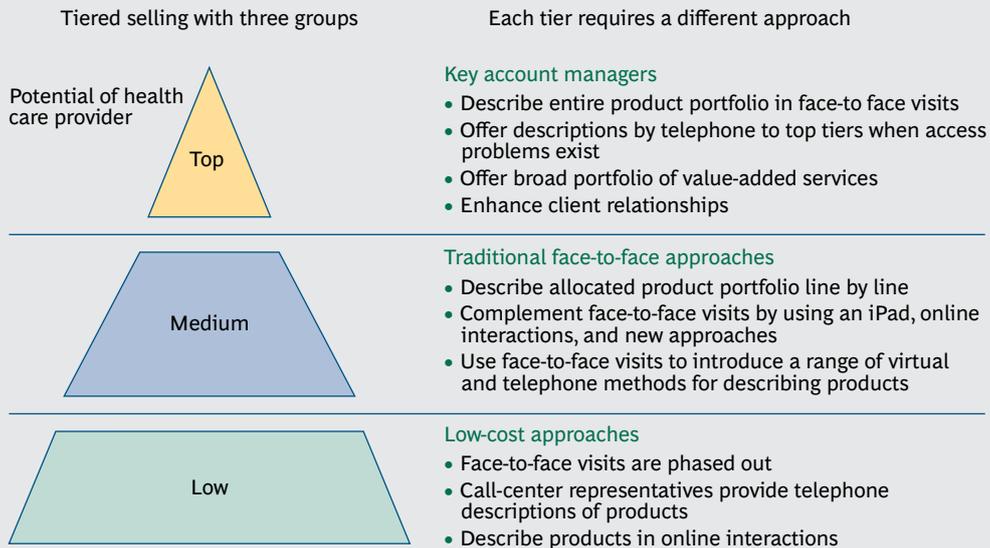
¹The acronym stands for “electronic continuing medical education.”

additional services as well. The biopharma sector, however, is one of the few industries in which the same sales rep calls on both the company’s most valuable and least important customers.

Some biopharma companies talk about de-averaged selling and claim to have some kind of tiering in place, but only a few have moved toward a true tiered-selling approach—one that goes well beyond slightly higher call rates and small service adjustments. Tiered selling de-averages services across different categories or tiers of physicians. (See Exhibit 4.) The most valuable physicians (top tier) are served by the best field resources and receive the company’s premium value-added services. The goal is to move from a transactional reach-and-frequency model to a more business-to-business type of relationship. The middle segment (medium tier) is served by a separate field sales force with an optimized traditional reach-and-frequency model. Low-value customers (low tier) are covered—if at all—by “light touch” interactions, usually using new, cost-effective remote channels.

Tiered selling may not be easy to set up and run—strategic decisions and trade-offs must be made, with plenty of potential for organizational upheaval—but the results are well worth it. One biopharma company’s country organization, which adopted the practice, has cut its staff by 15 percent and its marketing

EXHIBIT 4 | Tiered Selling Allocates the Best and Largest Number of Resources to the Most Valuable Customers



Source: BCG analysis.

expenditure by 18 percent. Customers in the low tier, who used to get two to three visits per quarter under the traditional selling model, now receive almost no visits. More important, top-tier customers get more visits, most of which take longer and add much more value. The company now targets 12,500 doctors with the new model, compared with 15,000 previously, and has a far lower cost base. What's more, the company exceeded its annual sales target by \$100 million during the first year.

SHARPEN THE FIRST-LINE SALES MANAGER'S PROFILE AND SKILLS

The first-line sales manager has the most important role with regard to customer excellence and go-to-market approaches. Often an individual FLSM's performance correlates more closely with how well the product performs in his or her territory than does the relevant product rep's performance.

This correlation is not because the FLSM is effectively acting as a "super rep," who is better at selling than most product reps. Rather it is because he or she excels at business management, team management, coaching, and change management. Lately, companies have been neglecting the last two functions somewhat, even though they have been central in traditional sales-force effectiveness programs.

Our experience is that coaching sales reps continues to be an important performance lever, especially as the business world becomes more complicated and as customers become more demanding. Coaching is usually a great motivator for sales reps because it gives them fresh opportunities to learn and grow. The trick, however, is not to fall into the trap of believing that training can fix everything. Ideally, most of an FLSM's time—a minimum of 50 percent—should be spent

coaching reps in the field. A good rule of thumb is that an FLSM should go on one ride-along per rep per month.

Making the Customer-Facing Effort Stick

Biopharma executives typically underestimate what's needed to embed customer-facing practices after the initial work is done, and many, many efforts fail because they don't sufficiently incorporate ways to enable the organization and foster continuous improvement. We have identified several guiding principles, drawn from our experience, that characterize effective customer-excellence journeys.

Think in waves. Too often, companies try to do everything at once, with the inevitable consequences of confusion, wasted effort, and even paralysis because the organization becomes overwhelmed. Leading companies choose instead to identify what can reasonably be deferred until later and make sure that the first wave of a rollout includes the areas that will have the greatest impact on customer excellence.

Invest to make a difference. If productivity improvements are to become apparent to everyone, senior managers must make robust efforts with serious commitments of time and energy against well-defined objectives. The initiative must be spearheaded by an executive with enough clout to make a difference, such as the commercial head or even the chief financial officer. And that executive should make sure to treat the initiative as an ongoing effort—not just a collection of one-off projects.

Deploy “SWAT teams.” It is also worthwhile setting up dedicated teams that can work with the country organizations to objectively evaluate the status quo and the opportunities at hand. Companies that don't deploy such SWAT teams often find that the solutions they define aren't ambitious enough for the results they seek.

Assign advocates in each country early on. Just as the solutions need to be tailored for each country because customer environments differ, so must there be champions for the initiative in each country; solutions cannot be top-down or one-size-fits-all. Selection of the first country organizations to participate in the initiatives should be based not only on their potential for improvement but also on the willingness of the company's local leaders to engage in the initiative and to support the companywide program later on. Will they become credible advocates for the program as other country organizations engage later in the rollout process?

Build capabilities along the way. Learning and enablement should be an integral part of the approach. Populate teams with members from different constituencies—mixed country and headquarters teams, for example—and use train-the-trainer concepts. Include “ambassadors” in the early phases of a rollout, who can support it in later phases in other country organizations. The industry's exemplars have set up centers of excellence that enable them to continually build

Solutions need to be tailored for each country.

capabilities; some have “academies” to expand the capabilities of their FLSMs, for example. Others even document such capabilities developments in best-practice manuals. (See the sidebar “Capturing Best Practices in a ‘How To’ Manual.”)

Track and measure progress. Customer excellence programs for which progress is tracked and measured are more durable. All improvement efforts should be linked to a set of key performance indicators, with updates displayed on a dashboard that is part of the regular briefings for senior executives. It’s also helpful to build implementation audits into the program so that leaders can discuss, after six months or 12 months, what is working, what isn’t working, and what needs to be done to adjust the program accordingly.

Go the distance. Senior managers of biopharma companies that have successfully deployed a customer excellence program treat the effort not as a onetime project but as a multiyear, multiwave journey—and they keep it high on their agendas.

CAPTURING BEST PRACTICES IN A “HOW-TO” MANUAL

At many leading global biopharmaceutical companies that have achieved big gains from customer excellence initiatives, team leaders have prepared a manual, often running to several hundred pages, to codify their global go-to-market approach and support its worldwide rollout.

The manuals are meant to help country teams launch the overall initiative— assembling local teams, planning workshops, and so on—but they also give detailed guidance on how to tackle the different aspects of customer excellence. The best manuals feature two sections: the first describes how to assess the status quo and identify the need for action, and the second elaborates on how to develop a solution that is specific for each country.

Usually, we find that the manual’s first section is structured around the most common issues that customer excellence teams run into. It is substantiated by a set of probing questions and

quantitative analyses that lead to a thorough assessment of the current state and point clearly to the actions required. The second section is the heart of the handbook: it provides a general approach to solution development—for instance, how to create new segmentation and targeting processes, and how to revise the roles of district sales managers. As with any good manual, detailed guidelines and templates for each step are offered.

The best manuals are updated regularly and offer real-world examples of good practice from within the company and across an industry. They describe the active, ongoing development of capabilities, such as by establishing a “corporate academy.” What really makes the handbooks useful are the “yellow pages” at the end of each section, which offer contact information for the company’s own experts so that users can become part of the company’s peer-to-peer exchange of knowledge about customer excellence.

Get Started with a Simple Health Check

Given the scope and scale of a comprehensive customer-excellence initiative, biopharma executives could be forgiven for wondering how on earth to get started. BCG has developed a simple “health check” tool that can help generate organizational buy-in, pinpoint the areas and actions that are likely to have the most impact, and provide senior executives with objective analyses of their customer-facing skills.

A typical health check takes roughly four to six weeks to run. It involves several lines of inquiry to allow for cross-checking and to identify high-priority areas more easily. The health check develops a baseline of information from three sources:

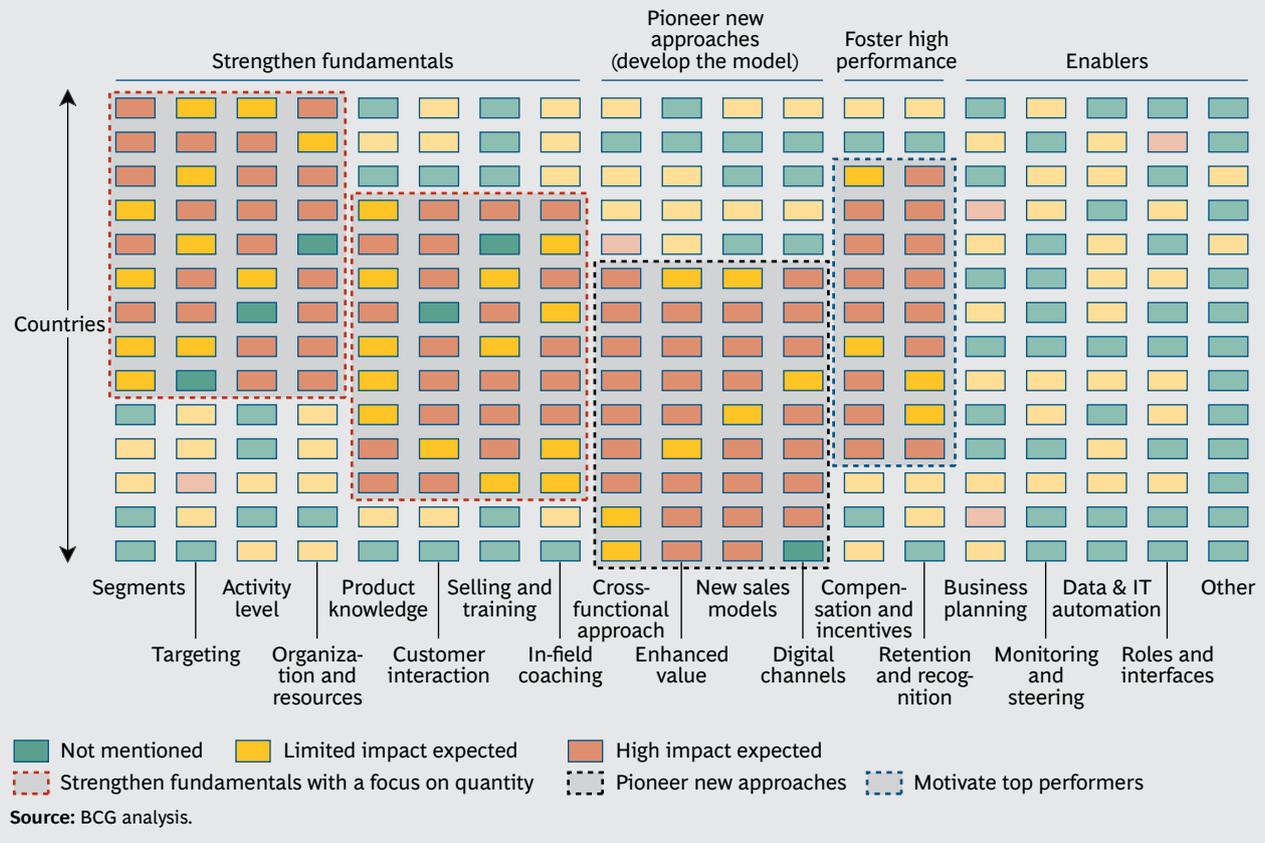
- *Face-to-face interviews.* Getting a clear picture from people who are closest to the customer is crucial. The health check helps provide that picture through interviews with key representatives in select (usually five to seven) countries. The interviews in each country are with the country manager, the business unit manager, and the national sales manager; they may also include the FLSMs. The interviews follow the customer excellence framework to ensure a systematic approach and to yield “apples to apples” comparisons among the interviews.
- *Web-based survey.* This survey spans a broader selection of markets—typically as many as 15, including those in which the interviews are conducted. The Web survey polls large numbers of varied respondents in their local languages. The polling questions also track against the customer excellence framework, seeking perspectives on a company’s current competitive advantage as well as its customer excellence priorities and how those priorities were chosen.
- *Data analysis.* The health check gathers easily available performance data across all the countries surveyed. The intent is to understand the levels and variations of current key performance indicators, albeit from a high, first-impressions perspective. The data-gathering also extends to third-party reviews of customers’ perceptions of the biopharma company. Simple S&T analyses can be highly effective, too.

One major output of the health check is a heat map, which identifies the biopharma company’s customer-facing priorities by region or by country. (See Exhibit 5.) The heat map highlights clusters of themes that apply to countries sharing common customer-facing topic priorities. It also identifies the customer-facing approaches that can be considered best practices. Based on an analysis of the heat map, biopharma leaders can redefine their sales-program priorities and develop specific short-term and long-term initiatives.

THOUGH BIOPHARMA COMPANIES’ management teams face a number of challenges, they should make customer excellence one of their top priorities. Adopting the necessary twin-track mindset may not be easy, but it *can* be achieved.

Adopting a twin-track mindset may not be easy, but it *can* be achieved.

EXHIBIT 5 | A Heat Map Can Identify a Biopharma Company's Customer-Facing Priorities by Region or by Country



The biopharma industry needs to embrace a holistic approach to customer excellence—and doing so will require time, patience, and effort at all levels. For the first step of the journey, biopharma companies should take a quick health check to pinpoint the priorities that can have the biggest impact most quickly. Seeing the way forward, by itself, can do a lot to inject good news into an industry that badly needs it.

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