Opportunities for Action in Health Care

Consumer-Centric Care

The Boston Consulting Group
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In the pharmaceutical industry, a pair of congruent, “consumer-centric” forces may well change the basis of competition and success. On the one hand, increasingly knowledgeable and activist consumers are appropriating more of the decision-making role in the pharmaceutical marketplace. On the other, accelerating progress in genetic sciences and information technology is moving the industry from mass-market pharmaceuticals toward products and services tailored to smaller patient subpopulations.

Those two forces—one pushing, the other pulling the industry toward a more central role for consumers—mean that companies must change the way they think about their business, shifting from their traditional disease-based orientation toward a new focus on patients as consumers. And although companies must make this shift deliberately and with a cautious eye on the pace and timing of their investments, they must also be aggressive and flexible if they hope to keep up in the race for competitive advantage.

Pharmaceutical companies have responded to the expansion of the patient’s role by sharply increasing their direct-to-consumer advertising budgets in the U.S. and by creating Web sites around the world. But this is only a small first step. To be truly consumer-centric, the pharmaceutical industry must stop viewing its business as serving disease-based mass markets and start creating customized products and services focused on individual consumers, not just medical conditions.

This shift requires profound changes in almost every aspect of the business. It means developing deep new insights about consumers, their needs, their dissatisfactions, and the products and treatments they use,
then segmenting the market along these new lines. It means using the increasing availability of genetic knowledge to create tailored products that are safer and more efficacious. It means providing sophisticated information, packaging, diagnostics, support and counseling, and other services. It means customizing communications and using the Internet and other forms of access to connect with consumers.

In short, the industry must act on the knowledge that a combination of new science, new tools, and the conversion of passive patients into active decision-makers will transform the way pharmaceuticals are developed, marketed, prescribed, and used.

How Did We Get Here?

People attach enormous importance to their health, yet surprisingly little information has been available to help them make their own health care decisions. Historically, most consumers have been docile patients, receiving products and services supplied by intermediaries. Health plans have determined the permitted frequency of doctor visits and set guidelines for allowable types of care. Physicians have dictated the course of treatment and, with payers and pharmacists, chosen the medicines patients should receive. Consumers have taken the drugs home and struggled to comprehend package inserts written for an audience of doctors.

At the same time, rates of successful treatment that are still too low and variations in the way different individuals respond have stymied the health care industry. Until recently, there has been limited understanding of the individual genetic basis for disease. Even though it is human beings who suffer from
disease, the focus of health care has always been on symptoms and conditions, not on the people who experience them. Payers have set treatment rules by disease; physicians have often specialized by disease; and pharmaceutical companies have developed mass-market therapies to treat medical conditions, organizing by therapeutic areas rather than by patient groups. This situation has long been ripe for upheaval.

The Changing Agenda

Two mutually reinforcing factors are heightening the likelihood of a consumer-centric revolution in pharmaceutical care:

**Encouragement of knowledgeable consumers.** Whereas historically, payer dictates on health care coverage distanced consumers from decision-making, recent cost-containment efforts by payers encourage consumer activism. A decade ago, most payers addressed rising costs by increasing fees or raising deductibles. Today, instead, they offer a greater range of complex health care plans, prices, and educational programs, encouraging consumers to rethink their needs and reevaluate their options. Moreover, the pharmaceutical industry itself, searching for fresh sources of growth, is beginning to see consumers as a new marketing target.

**Growing consumer activism.** The increasing availability of over-the-counter and alternative medicines gives consumers an opportunity to self-diagnose and self-medicate, allowing them to bypass traditional payer and physician intermediaries. Moreover, as AIDS activists have shown, consumers are now willing to challenge the medical industry.
Although these trends increase the scope of consumer control, two barriers to consumer-centric care remain: consumers do not yet have access to rich information or tailored therapies. In many industries—consumer goods is an excellent example—the best companies offer their customers segmented products and tailored communications. In pharmaceuticals, patients have encountered broadly defined products and little information for the layperson. That situation is changing:

**New sources of information.** Dramatic improvements in the sophistication and cost of information technology are beginning to reverse the information imbalance from which patients have traditionally suffered. Using the Internet, consumers can now gain access to the information they need in order to participate as equals in health care decision-making. By early 1997, the Internet contained more than 5,000 health-related sites offering free, personalized medical advice. Health care companies can now use the Internet to establish their own interactive, tailored communications with consumers.

**A growing ability to personalize therapy.** Although still relatively immature, the field of genetic science has made remarkable progress over the past few years. It is likely that in ten years’ time, genetic screening of individuals diagnosed with particular ailments will shed light on receptivity to certain medicines, formulations, and regimens. One early illustration: Warner-Lambert’s Cognex was found to be effective for 80 percent of Alzheimer’s patients in a narrow genetic subpopulation, as opposed to 10 percent in other subpopulations.

Redressing the information imbalance and learning to tailor pharmaceutical products to smaller patient subpopulations will set the stage for a new level and kind of consumer-centric care.
Where Is the Industry Going?

Although pharmaceutical companies are increasing their advertising to consumers and building interactive Web sites, these tools do nothing to alter the industry’s focus on disease or to address the fundamental sources of consumer dissatisfaction. They merely add expensive—and relatively unsophisticated—marketing spending to the existing business model. Consumer-aware is not the same as consumer-centric. To be truly consumer-centric, pharmaceutical companies will need to anticipate consumers’ needs at every stage of the process—from drug discovery through development, marketing, sales, and after-sales support—and be ready to transform their organizations accordingly.

To begin with, pharmaceutical companies can develop much more strategic and sophisticated marketing systems. The marketing powerhouses in consumer goods develop deep insight by observing consumer behavior, analyzing consumer needs, and uncovering latent consumer discontent. They are good at listening to and learning from consumers, and they use the information they glean to create demographic and psychographic market segmentations. Armed with this knowledge, they build demand by providing continuous, targeted communication that anticipates consumers’ needs. Pharmaceutical companies need to develop the same tactics and apply them to consumers as well as to payers and physicians.

The second step for pharmaceutical companies is to use the deep consumer insight they acquire to inform discovery and development. By combining what they learn about consumer needs and dissatisfactions with what they know about genetic segmentation, these companies can begin tailoring medications to nar-
rower segments of the population. The medical and emotional needs of an elderly person with asthma are not the same as those of an asthmatic child. Customizing medications, formulations, packaging, and labeling on the basis of genetic—and even psychographic—profiles can lead to fewer side effects, greater efficacy, better compliance, and ultimately more loyal customers.

The third step of the consumer-centric transformation will come when pharmaceutical companies recognize that they can develop deep and lasting consumer franchises. Suppose a company chose to develop a senior-citizen franchise by creating a platform of drugs to treat diseases with high incidence among the elderly. These drugs would undergo clinical trials designed not only to test safety, efficacy, and comorbidities but also to build brand and company loyalty among the elderly population. Manufacturing would work with marketing to create optimal formulations, packaging, and educational materials aimed at older people. Sales representatives would build relationships with geriatricians, retirement communities, and nursing homes. The company might also provide diagnostics and ancillary care for the elderly population it had chosen to serve.

The essence of consumer-centric care is differentiation. In a consumer-centric world, pharmaceutical customers encounter a marketplace that provides products, services, information, and communication tailored to their individual needs. In turn, pharmaceutical companies that focus on strategic, consumer-centric marketing and coordinate it with other functions in the value chain can expect more widespread diagnosis of previously underdiagnosed conditions, better compliance, greater loyalty, and the
possibility of price premiums due to better safety and efficacy profiles.

Consumer-centric approaches will not be viable for all diseases and may not be cost-effective in the short term, given the requisite move from mass markets to more focused consumer groups. Moreover, cultivating the balance among physicians, payers, regulators, and consumers will take some hard work. But the move toward a more consumer-centric orientation is not the kind of shift that pharmaceutical companies can simply ignore. Given the benefits of greater safety, efficacy, and participation, consumers and payers will be strong advocates for change. Companies that pursue a consumer-centric approach will reap rewards that outweigh the higher costs and risks. Companies that react inflexibly or too slowly run the much greater risk of losing headway in the marketplace.

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