REALISING THE VALUE OF ROUGH DIAMONDS

M&A and diversification have left pharma portfolios with an abundance of underinvested medicines, but they needn't be ignored

Since the 1990s pharma has been on a diversification frenzy, spurred on by repeated cycles of mergers and acquisitions. The resulting companies have developed strong revenue-generating portfolios in core therapy areas, yet hidden among the blockbusters are drugs that don't quite fit in with the core business. These sit outside the central therapy areas, often underinvested and ignored. But there is still potential to realise their value.

"We refer to these products as rough diamonds," says Melissa Dagless, founding partner of Accretio, a deployable business unit of marketing, medical and sales experts, which was launched two years ago and is part of OPEN Health. "These are products that have potential – for instance, through a change in funding or clinical guidance – but because they don't sit in the middle of a portfolio, or because the company is smaller and doesn't have the 'bench strength', these medicines do not get the attention they need. As a result, the value may not be recognised or there may not be a way to realise the value within the company structure."

This presents something of a dilemma to the industry, particularly when the current environment encourages companies to focus on a few select therapy areas where there are big revenues and guaranteed return on investment. As a result, there aren't the resources or investment to realise the value of those rough diamonds that don't fit in. "As many as 70% of medicines in a company's portfolio may not be supported with optimal investment," Dagless explains. "Yet from our analysis, up to one in five of those will have growth potential."

Accretio was founded and structured to work with companies to polish the diamonds and realise their value, and has so far formed partnerships with six top pharma companies on ten medicines. In one instance, Accretio relaunched a gastrointestinal medicine with a focus on areas of high opportunity through a multichannel approach. This resulted in the implementation of local shared care pathways, which enabled more patients to access the medicine. In another situation, Accretio's targeted work on a previously non-resourced medicine for patients with cancer saw growth of 40 percent.

"There is the option to sell the medicine or out-license but it's not always easy and doesn't always work," says Dagless, who after two years heading up Accretio has set up a number of bespoke partnerships to meet the needs of different pharmaceutical companies. "A partnership with Accretio that provides strong strategic capabilities, expert focus and specialist execution skills, and that doesn't detract from the core business, is another option for these underinvested medicines," she says. "These are medicines that are important for patients and clinicians but also for pharma. It's about how you make the current portfolio work harder by realising incremental growth with focussed and limited investment."

In some ways, says Dagless, this approach reflects a subtle change to pharma's business model, providing more with less and thinking outside the box. It's an approach that could be relevant throughout a medicine's life cycle and can be applied to any scale and size, she adds. And when conditions are right, Accretio will invest alongside pharma, with compensation based on brand performance.

"This is about understanding the growth opportunities and the audience, and executing against that in a meaningful way for customers and with efficient use of resources," Dagless says. "It's a challenge we relish and it's clear there is more that Accretio can do for pharmaceutical companies with the right medicines and the right partnerships." ❑

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