



NorthPoint Case Study of a New Medical Offering Assessment

Results of an offering that was initially failing in international target markets that was turned around

Summary

A multinational pharmaceutical company prepared for and entered the marketplace with a new medical offering via wholesalers; however the initial acceptance rate was well below expectations for the first full year. The offering was based on new technology that required customer education. The initial target market was estimated to be in the range of \$55 – \$60 million USD, but first year sales were less than \$ 2 million USD. In addition, significant pricing differences existed between the prices charged to the distributor, prices paid by customers and the net price received by the pharmaceutical company after discounts. The NorthPoint revenue suite of software was used to identify what the inhibitors were to the desired market size with the required net pricing.

The process and results

Initially NorthPoint completed 41 in-depth one hour interviews with the decision makers in the target market. The purpose of the interviews was to understand the value propositions (what are potential customers and customers willing to pay for and what value do they attach to those capabilities), the buying criteria the decision makers use in making their purchase decisions and what unmet or unidentified needs exist that this offering or competitive offerings are missing. This information is captured via the decision makers scoring of NorthPoint's 22 value propositions and 14 buying criteria that are incorporated into an offering overview document.

The interviews also identified over 65% of buy now institutions and or physician groups (entities that have an immediate need and now understand the value of the offering).

The scoring of the value propositions and buying criteria enabled the pharmaceutical company to understand how the offering met the buyer's value expectations and value requirements. In this case there was a near total absence of the real value and real opportunity identified with the offering. This issue required the pharmaceutical company to provide education on the unidentified needs of the market and how the offering met those needs as well as the unmet needs.

The market that this offering served was tiered with business channel partners that didn't understand the value propositions and their market message didn't incorporate the most important value propositions. Consequently, the wholesalers and distributors were selling on price which created some net pricing issues (the pharmaceutical company sold to the wholesalers at list price while the wholesalers sold to the customer at a significant discount which resulted in the wholesaler requesting a rebate on the difference).

The scoring of the value propositions and buying criteria enabled the pharmaceutical company to improve their market messages as well as the training of the internal and external sales forces. The initial assessment of the knowledge of the sales teams was scored at 47% of "Best-in-Class". Improved sales training, based on targeted messages by target market improved the knowledge of the sales teams to over 85%.

Based on the improved knowledge of the sales teams and the delivery of the value propositions to the customer base, the percentage of discounts provided to customers moved from 85% to 65% in 3 months, 65% to 22% in 6 months and then to 6.2% within 12 months.

At the same time, sales grew from \$2 million to \$11 million. By year three sales had grown to over \$37 million and within five years to over \$88 million USD.

The impact on EBITDA was also dramatic, improved from 26% to 87%.