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# Outsourcing as strategic alternative to our own headcount

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# Outsourcing as strategic alternative to our own headcount



- **Introduction**

- » F. Hoffmann-La Roche Ltd
- » Roche SpA, Italy
- » The Italian Pharma market

- **The 'FOCUS' project**

- » Rationale
- » Partner
- » Terms
- » KPIs
- » Actual performance
- » Lessons learned

- **Conclusions**

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## F. Hoffmann – La Roche: basic facts at a glance



- Founded 1896 in Basel, Switzerland
- Founding families still hold majority stake
- Employing 81,500 people
- Currently active in 150 countries on all continents
- Sales 2009: 49.1 billion Swiss Francs
- Clear focus on healthcare
- Leadership in pharmaceuticals (#3)  
Leading supplier of medicines for cancer and a market leader in virology
- Leadership in *in vitro* diagnostics (# 1)
- Unique innovation model



# Roche Group – structure



**Roche Pharma**

**Genentech**

**Chugai**

**Roche Applied Science**

**Roche Molecular Diagnostics**

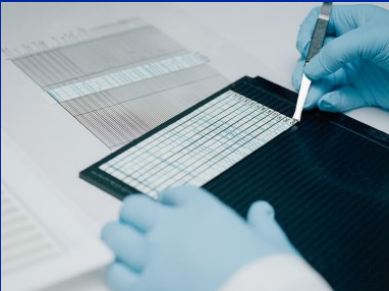
**Roche Professional Diagnostics**

**Roche Tissue Diagnostics**

  
  
*a member of the Roche Group*

**Roche Diabetes Care**

# Roche Mission



- Our aim as a leading healthcare company is to create, produce and market **innovative solutions** of high quality for unmet medical needs.



- Our products and services help to **prevent, diagnose and treat** diseases, thus enhancing people's health and quality of life.



- We do this in a **responsible and ethical manner** and with a commitment to sustainable development respecting the needs of the individual, the society and the environment.

# Roche Pharmaceuticals - Italy



- In Italy since 1897
- Activities: Sales, Production and Distribution
- Headquarters in Monza
- Production site in Segrate (Milan)
  - Center of Excellence in Europe for Global supply of solid dosage forms
- A total of 1'181 employees (Dec. 2009)
- Turnover: 1'047.8 € millions (2009)



# Pharmaceutical Market (retail + hospital) & Roche Year 2009



Euro (000)	RETAIL			HOSPITAL			RETAIL + HOSPITAL		
	YTD	+-%	MS%	YTD	+-%	MS%	YTD	+-%	MS%
<b>TOTAL MARKET</b>	11.852.275	+1,1	100,0	7.232.052	+10,0	100,0	19.084.327	+4,3	100,0
<b>Ethical Market</b>	10.182.058	+0,9	85,9	7.232.052	+10,0	100,0	17.414.110	+4,5	91,2
<b>OTC Market</b>	1.257.934	-0,4	10,6				1.257.934	-0,4	6,6
<b>Other</b>	412.283	+11,8	3,5				412.283	+11,8	2,2
<b>ROCHE</b>	218.112	+0,7	2,14	799.878	+10,9	11,06	1.017.991	+8,6	5,85

Source: IMS

# Italy Pharma companies: ranking 2009



		December, 2009								
		RETAIL			HOSPITAL			RETAIL + HOSPITAL		
Euro (000)		YTD	+-%	MS %	YTD	+-%	MS %	YTD	+-%	MS %
ETHICAL MARKET		10.182.058	+0,9	100,00%	7.232.052	+10,0	100,00%	17.414.110	+4,5	100,00%
1	SANOFI AVENTIS	661.319	+0,4	6,49%	442.000	+2,2	6,11%	1.103.319	+1,1	6,34%
2	<b>ROCHE</b>	<b>218.112</b>	<b>+0,7</b>	<b>2,14%</b>	<b>799.878</b>	<b>+10,9</b>	<b>11,06%</b>	<b>1.017.991</b>	<b>+8,6</b>	<b>5,85%</b>
3	PFIZER-PHARMA	732.246	-1,2	7,19%	282.608	+4,3	3,91%	1.014.854	+0,3	5,83%
4	NOVARTIS F.	404.277	+1,0	3,97%	364.189	+15,6	5,04%	768.467	+7,4	4,41%
5	GLAXOSMITHKLINE	453.774	+2,9	4,46%	252.174	+10,6	3,49%	705.948	+5,5	4,05%
6	ASTRAZENECA+SIMESA	459.832	-4,2	4,52%	224.393	-11,2	3,10%	684.224	-6,6	3,93%
7	BAYER	376.698	+1,0	3,70%	187.385	+5,4	2,59%	564.083	+2,4	3,24%
8	WYETH LEDERLE	136.836	-20,8	1,34%	326.282	+13,5	4,51%	463.118	+0,6	2,66%
9	JANSSEN CILAG	138.897	-1,4	1,36%	304.110	+13,3	4,21%	443.007	+8,3	2,54%
10	ELI LILLY	220.626	+5,9	2,17%	216.643	+2,8	3,00%	437.269	+4,4	2,51%
11	ABBOTT	152.848	-4,4	1,50%	250.374	+13,5	3,46%	403.223	+6,0	2,32%
12	MERCK SHARP DOHME	307.843	+1,1	3,02%	84.143	+62,5	1,16%	391.986	+10,0	2,25%
13	MENARINI	365.591	+1,2	3,59%	7.295	+12,4	0,10%	372.885	+1,4	2,14%
14	SCHERING PL+ESSEX I	137.860	+5,5	1,35%	220.658	+2,6	3,05%	358.518	+3,7	2,06%
15	BRISTOL-MYER SQUIB	150.228	-1,2	1,48%	198.233	+10,5	2,74%	348.460	+5,1	2,00%
16	SIGMAU	320.983	-2,2	3,15%	18.898	-14,7	0,26%	339.881	-3,0	1,95%
17	BOEHRINGER I.ETICI	258.056	+6,5	2,53%	39.141	-5,3	0,54%	297.197	+4,8	1,71%
18	GILEAD SCIENCES				250.525	+24,1	3,46%	250.525	+24,1	1,44%
19	CHIESI	218.022	+6,1	2,14%	30.182	-0,2	0,42%	248.205	+5,3	1,43%
20	KEDRION	11.648	-15,3	0,11%	231.645	+10,9	3,20%	243.293	+9,3	1,40%
21	AMGEN DOMPE	42.505	-0,8	0,42%	199.247	+8,5	2,76%	241.751	+6,7	1,39%
22	MERCK SERONO	34.379	-0,3	0,34%	206.187	+1,5	2,85%	240.567	+1,3	1,38%
23	GUIDOTTI	229.824	+9,2	2,26%	1.282	-2,3	0,02%	231.106	+9,1	1,33%
24	TAKEDA ITALIA FARM	161.266	+0,5	1,58%	58.318	+5,9	0,81%	219.584	+1,9	1,26%
25	BRACCO	132.229	+0,9	1,30%	75.192	-4,1	1,04%	207.421	-1,0	1,19%

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## The reason for a strategic choice

- Our 2007 Business Plan highlighted the following points:
  - Oncology, our key area, in steep growth
  - Strong investments required to enter Rheumatology as protagonist
  - Primary Care in slow but continuous decline

# The solution to this issue



To refocus our investments by freeing up resources from primary care and allocating them to our more strategic franchises through co-promotion of established brands with a partner.



# The search for the right partner

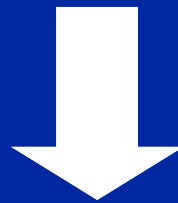
- We formed a small team (GM, CFO; HR and Business Development Directors), with a clear objective
- We interacted with several potential partners (some interested in the brands, other in the people!), and in the end
- We selected Quintiles for:
  - Alignment on the ‘philosophy’ of the deal
  - History of successful collaboration
  - Financial solidity
  - Excellent spirit and teamwork



# The selection of the products to co-promote

We thoroughly screened our portfolio analysing the 5-year sales trend of each Primary Care product, considering these three main criteria:

- Brands with sales development potential through promotion
- Brands seen by physicians as therapeutic reference points
- Brands thought as benchmark within their therapeutic class



# The terms of the agreement

- Co-promotion: Roche responsible for Marketing, Quintiles for Sales
- Sales Force (1 Sales Director + 4 AMs + 50 Reps) moved from Roche to Quintiles
- Roche staff fully dedicated: 0.5 Product Manager and 0.5 Medical Manager
- Roche pays Quintiles an annual fee based on the performance, which is higher, the higher the sales



# The terms of the agreement

- Validity of the deal: 5 years (2008-2012)
- Shared Governance Model
  - Steering Committee: sets strategy, yearly targets and analyses performance;
  - Project Managers: main point of reference for the two companies, monitor the overall performance
  - Working Teams: subject matter experts for their own area of responsibility



# The responsibilities of the two partners



- MA Holder and pharmacovigilance
- Market Research and Analysis
- Product Strategy
- Marketing Investments
- Training of Field Force



- Field Force management
- Identification of target
- Target segmentation
- Application of call plan
- Implementation of strategy

# The Key Performance Indicators

1. Sales: actual sales vs 'good performance level' as defined in the agreement
2. Costs: alignment with the investment levels approved by the Joint Steering Committee
3. Call Plan: Execution of the plan, as agreed by the joint Steering Committee
4. Quality: Assessment of customer satisfaction by external agency

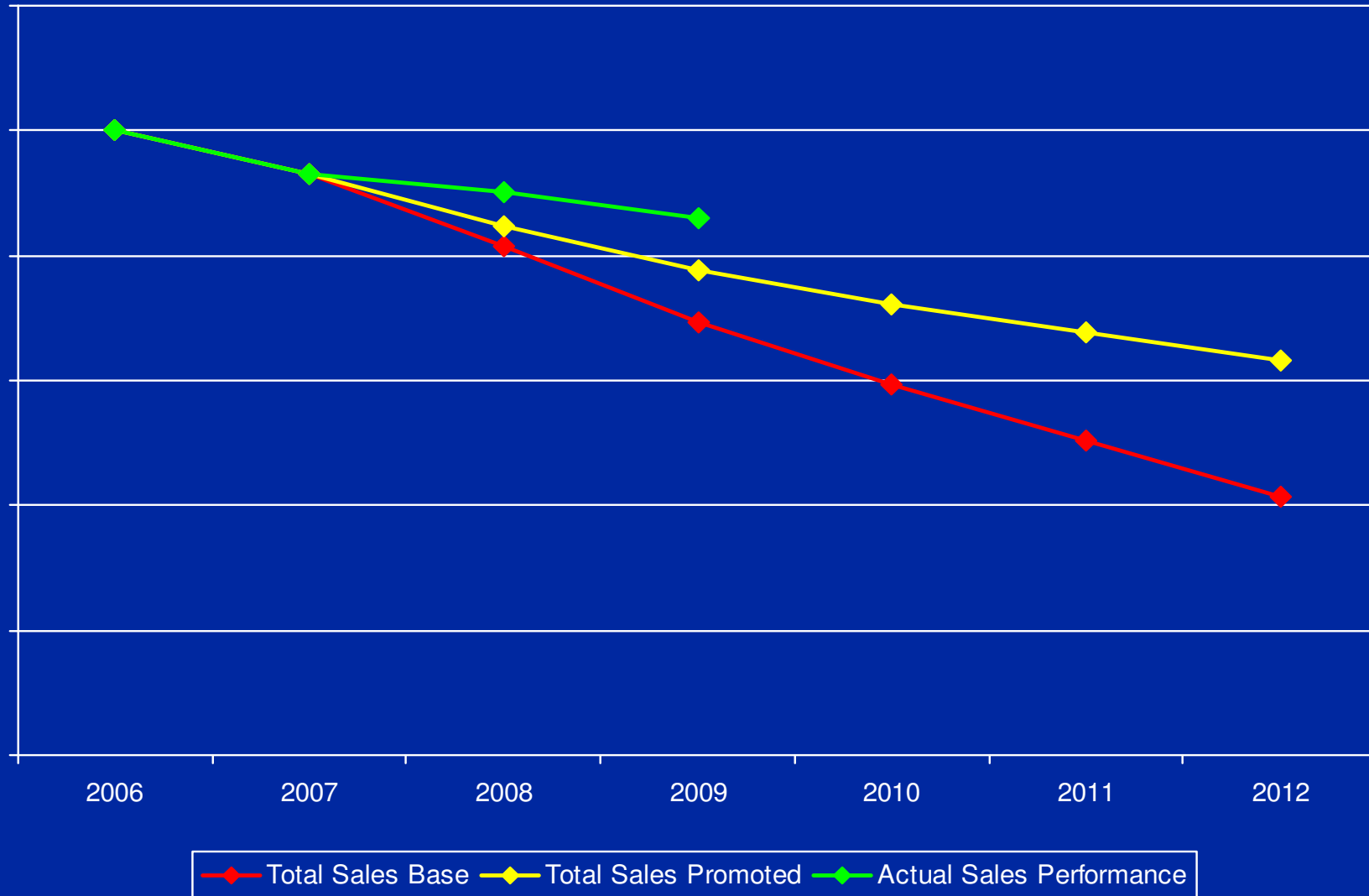


# The experience and expertise gained

- Efficiency gains (new schemes in call planning)
- Process improvements (sample-tracking)
- Higher than expected performance by re-motivated staff
- Valuable cross-fertilisation between two different partners



# The actual sales performance



# The opinion by the GPs: customer satisfaction study

- **Objective:** to verify which elements contributed to Quintiles' success in promoting Roche products to GPs
- **Areas explored:**
  - promotional efficacy, satisfaction for the visit, style of the relationship of Quintiles
  - added competitive value in promoting Rocefin and Dilatrend
- **Target:** GPs
- **Sample:** test 400 GPs (Quintiles target) + control 400 GPs (non-Quintiles target)
- **Methodology:** telephone interviews

# The opinion by the GPs: customer satisfaction study

## Main take-home messages

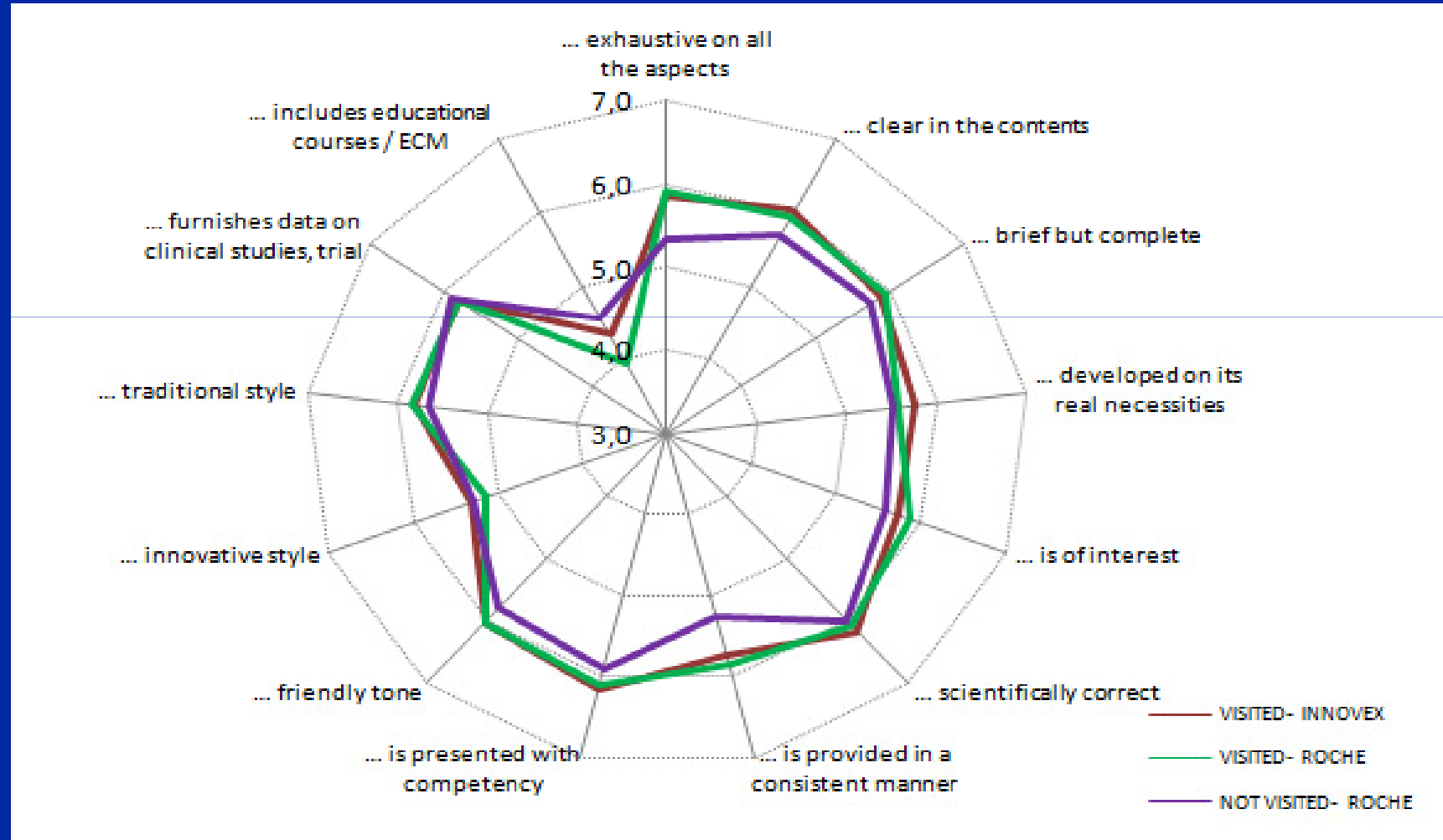
- The communication style of Quintiles is aligned to those of other top pharmaceutical companies operating in the same therapeutic areas
- Both for Dilatrend and Rocefin the promotional activity of Quintiles contributed to a competitive advantage vs. generics
- The activity on the field of the Quintiles team contributes to improve Roche's image among the targeted GPs.

# Quintiles vs Roche: GPs visited and non-visited by Quintiles



... Quintiles improves the Roche's profile ...

*"The information is ...*



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# Conclusions

- Very innovative model of co-promotion between 'big pharma' and service-provider
  - investigated by other Roche affiliates and other companies in Italy
  - likely to be extended to other brands
  - publicly cited as excellent and responsible approach to redeployment of resources
- Safeguarded and sustained the Roche Brand in Primary Care
- Made resources available for Specialty Care
- Excellent business results and return on investment
- Valuable learnings and fresh ideas gained through the partnership



*We Innovate Healthcare*