

ACROSS HEALTH BRINGS PHARMACEUTICAL COMPANIES INTO THE DIGITAL ERA

A digital pill to swallow

'Even a fully rigged sailing boat cannot win the race against a steamship.' That is the imagery Fonny Schenck, CEO of Across Health, uses to introduce us to his world of digital pills, online doctors and patient ecosystems.

Maike Thoen, photography Thomas Sweertvaegher

Fonny Schenck became an expert of the pharmaceutical industry during his twenty years at Janssen Pharmaceutica, later renamed Johnson & Johnson. In 2007 he made the switch to consultancy at Across Communications and a year later he founded the strategic-digital subsidiary Across Health, with a customer base of which 95% are large pharmaceutical companies.

To explain what Across Health stands for, Fonny Schenck refers to his first economics lesson: "Do you know what builders of sailing boats did when the steamship entered the market? They tried to improve their sailing boat so they'd be able to sail faster than a steamship. Of course this strategy failed, but that is how many companies respond to digitisation: they dress up their organisation with a few digital applications, without adopting a new business model. And that's where we come in: we point out the steamship that is coming up behind them. We do this for pharmaceutical companies, but other organisations in the health sector could also benefit from a sophisticated digital strategy."

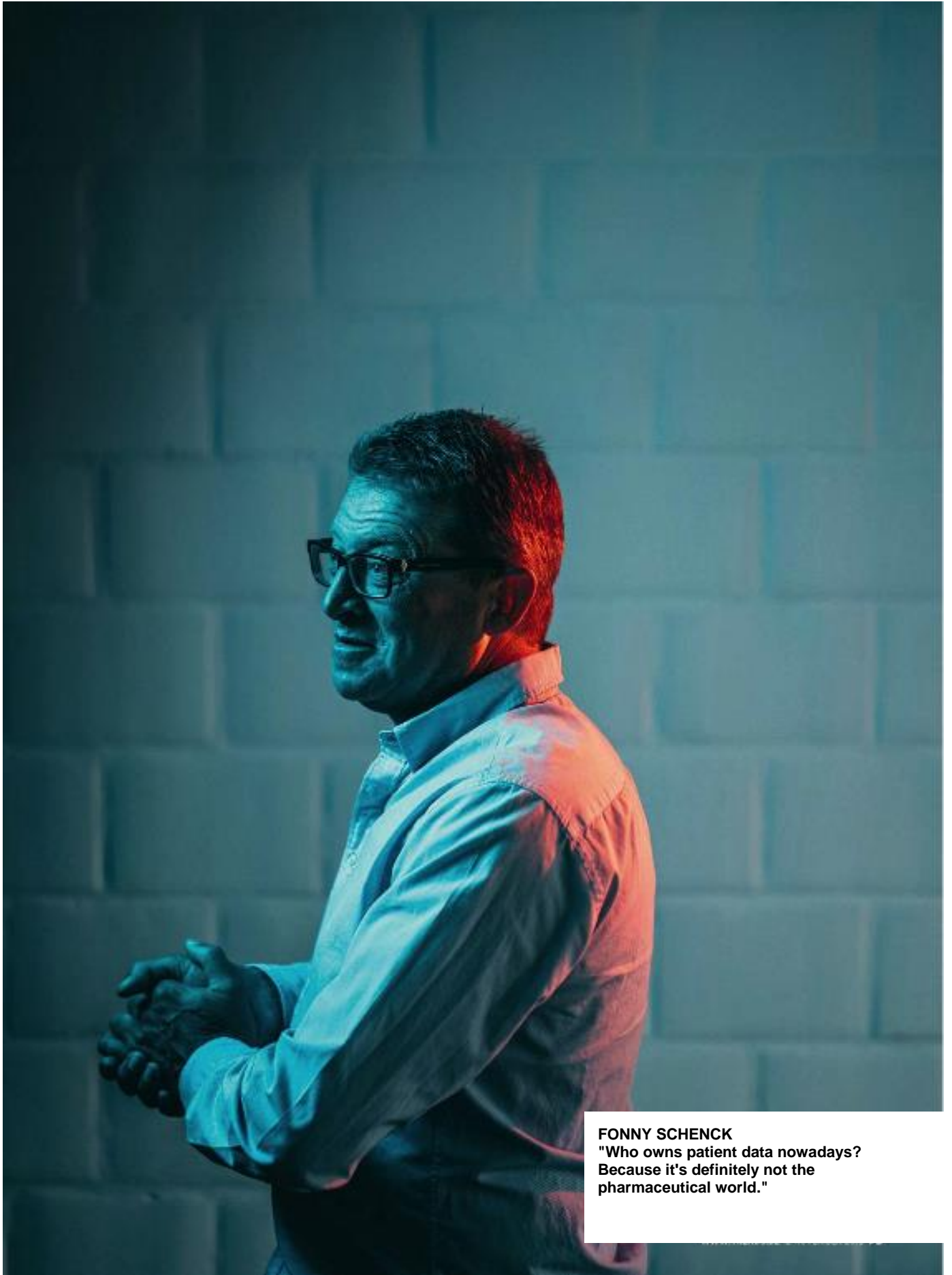
You say that companies should try to reach their goal using different channels, but aren't they doing that already?

FONNY SCHENCK. "Pharmaceutical companies supply their representatives with iPads or encourage their doctors to send a follow-up email, but I would categorise such measures as 'dress up'. The question is: should we really still be focusing on a face-to-face channel? "Every month European doctors spend about an hour interacting with pharmaceutical representatives, and around 35 hours on professional internet activity. Moreover, representatives usually make their visits during the day, when the doctor has little time. If you look at the distribution of marketing expenditures, you can see the situation is completely out of balance. According to the IMS Institute, barely 4 percent of the 2014 budget was made available for digital activities. Only 25 percent of European doctors indicate they are highly satisfied with the digital offer. There is still significant room for improvement."

Governments, insurance companies, hospital administrations and patients are increasingly demanding a voice in the debate on which medicine to prescribe.

SCHENCK. "That's right. The pharmaceutical industry is still quite traditional: we approach doctors directly, as they decide which medicine to use. Around 90 percent of the marketing budget goes towards influencing doctors, but the patient is becoming more and more important and will have more influence on how the budget is spent. How can you reach this group and how can you convince the most important financing institutions of the added value of your product? Accurate information through various channels is a start, but opportunities concerning real time treatment data and interconnectivity between the most important stakeholders are also becoming essential."

"Companies such as Apple might not create a large disturbance for post-diagnosis medication"



FONNY SCHENCK
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pharmaceutical world."

To use your own words: reaching relevant stakeholders through various channels is not enough to turn a sailing boat into a steamship.

SCHENCK. "The use of digital channels requires you to work in a different way and reflect on how to quickly reach different players in the market in a cost-effective manner. However, innovative digital technologies can create severe market distortions in the pharmaceutical industry. The Japanese company Otsuka for example received approval from the Food and Drug Administration to market the first digital drug. It is a product to treat schizophrenia and has a built-in transmitter to register therapy compliance. Many schizophrenic patients will try anything to avoid taking their medication. By having a built-in sensor in the pill which sends out a signal when it comes in contact with gastric acid, you will gain control over the proper medicine intake. It fits into the goal of economising healthcare. Governments, hospitals and doctors will go into business with the pharmaceutical companies who can best convince them of their added value. They can also do this by thinking beyond the pill, by for example taking exercise and nutrition - besides medication - into account during the follow-up and analyses."

What about players such as Google and Apple, who register a lot of health data with their wearables?

SCHENCK. "It is difficult for pharmaceutical producers to introduce wearables into a consumer market themselves, as this is a market they are out of touch with. It's becoming important for the pharmaceutical industry to launch partnerships with these players, because who owns patient data nowadays? It's definitely not the pharmaceutical world. The success of initiatives such as 23andMe, a company providing DNA analyses against payment, proves this fact. They're sitting on a wealth of information."

Can these players transform the health industry?

SCHENCK. "Companies such as Apple might not create a large disturbance for post-diagnosis medication. The pharmaceutical industry has too many entry barriers. However, they could make the pharmaceutical industry's playground a lot less fun by strongly decreasing the post-diagnosis part of the market. The pharmaceutical industry does not get involved until after diagnosis. The newer, more technology-driven market players are focusing on the beginning of a human's life cycle. This might lead to no one getting sick any more. The pharmaceutical companies are not interested in that part of the diagnosis, as they currently do not have an appropriate business model for this. This might lead to a decline in their profits."

Do pharmaceutical companies have to change course?

SCHENCK. "There are two sides to the story. For example, online banks envy the pharmaceutical industry for their great face-to-face contacts. Those banks are miles ahead when it comes to the digital part, but are not able to reach their clients face-to-face. Also, digital innovation is truly a growth process. So maybe select a part of your senior management to work on innovative concepts, while the rest of the organisation manages the daily operational processes. Don't only focus on your competitors. What's in that for you: the conclusion that everyone really is doing that badly?"

Are pharmaceutical companies not innovative enough?

SCHENCK. "All industries are becoming more digitally aware, but the pharmaceutical industry is taking its time joining in. That also has to do with the industry's nature. It is an environment with extremely high entry barriers, making it difficult for new market players to establish themselves. The margins are also high, so they don't have to innovate right away. For the media industry it's a completely different story. Their margins are under such pressure, that engaging in digital activities is almost their only option."

What does the future look like for Across Health?

SCHENCK. "We expect to reach a tipping point in the near future. We find that we don't have to explain the importance of digital as much as we used to and moreover our company is experiencing a 30 percent growth this year. We are in the process of hiring more people with knowledge of the pharmaceutical industry and interest in digital technology, or people from other industries with a strong digital background or interest in the pharmaceutical industry. It isn't easy to find the right people. The first new employee we'll hire can join our Healthcare Disruption Tour in the United States in December, which we're organising with Peter Hinssen. It illustrates the fact that we are more and more mixing face-to-face contact and innovation. And that is the key to success."

FAST GROWER

Across Health, founded in 2008, is the fastest growing division of the Across Group. Each year, the organisation grows with 30 percent and it has nine branches in nine different countries. Every day, more than 70 employees explore innovative approaches to the pharmaceutical industry: from multichannel to market-disruptive products and technologies. The estimated annual turnover of Across Health in 2015 is 12 million euros.

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