2021 PHARMA TRENDS

With the outbreak of COVID-19, many anticipated trends surrounding the pharmaceutical industry accelerated while others were deprioritized or overshadowed. As the race for a vaccine began in March, drug manufacturers have been forced to shorten timelines and processes significantly. Pressures for a vaccine have only been amplified by the heightened awareness from consumers – consumers who've been hyper-focused on the industry as they anxiously await a solution to the pandemic. Similar pressures on the FDA to expedite the path to a vaccine will force the regulatory body to rebuild integrity and public trust in 2021.

Slowed deal-making in 2020 is expected to regain momentum as large companies continue to see opportunities to improve growth, enhance innovation in research and development, and capitalization on technological capabilities through targeted M&A. Pharmaceutical businesses will also seek new opportunities to drive growth by taking advantage of further trends in 2021 in digitalization and patient engagement.

TREND #1:

Assessing impacts from a new administration

With a new administration entering the White House in 2021, various potential impacts to the pharmaceutical industry are expected. In terms of priorities, the Biden team released a **healthcare manifesto** proposing expansion of the Affordable Care Act, sweeping drug pricing reform, and more. The probability of these initiatives rely heavily on the yet to be determined makeup of the United States Senate.

The impacts of the Biden administration will vary depending on the results of the George Senate runoff. That said, there will be impacts nonetheless. A new administration ushers in new leadership and new priorities through the regulatory agencies and bodies that affect the pharmaceutical industry most.

President-elect Biden has been reported as looking to nominate California Attorney General Xavier Becerra for Secretary of Health and Human Services. Becerra, a staunch supporter and demonstrative proponent of the Affordable Care Act will likely assist Biden in filling a position under unprecedented pressure currently – FDA commissioner. The incoming head of the FDA will have significant responsibilities related to the Covid-19 pandemic, vaccine rollout, testing, and more.

All of this comes on the heels of a year of ups and downs for the 17,000-employee agency. Consumers, legislators, and the media have called into the question the efficacy of the regulatory body as months of reports of **infighting, dysfunction, and more have plagued the FDA.**

Seemingly the FDA is at an inflection point, pressured to evolve with the industry to support the rapid distribution of life-saving treatments. How the body navigates these pressures outside of Covid treatments remains to be seen but with attention at an all-time high, the pressure is on for the FDA to innovate, rebuild public trust, and collaborate closely with pharma.

TREND #2:

Regaining steam in deal making activity

Economic uncertainty driven by the novel coronavirus led to a decrease in deal making activity and size throughout 2020. The acquisition of Immunomedics by Gilead Sciences at $21B remains the largest industry deal of the year, a relatively small size compared to 2019's $95B Bristol-Myers and Celgene deal or AbbVie's $63B acquisition of Allergan.

Instead, companies in the pharmaceutical industry pivoted to focus on establishing partnerships to aid in combatting the pandemic and searching for a vaccine. Not only were pharma and biotech companies of every size partnering together, they were also establishing cross-industry partnerships with academic and healthcare institutions.

Looking towards 2021, this focus on collaboration is expected to shift back towards traditional M&A activity. According to data from S&P Capital IQ, businesses in the pharmaceutical company are currently sitting on excess cash reserves equal to over $170B. While Covid has changed a lot in the industry, the drivers for deal making remain the same – innovation, product portfolio optimization, and growth.

With excess cash reserves across the big players in the industry, it's reasonable to expect a strong return to the robust M&A activity we saw in the years building up to 2020. With businesses hungry to resume M&A, it will be even more critical that leadership align closely on goals, strategies, and priorities in order to act on opportunities quickly as the market will likely be especially competitive this year.

TREND #3:

Riding the digital transformation wave through 2021

Businesses across the pharmaceutical industry were investing in digital transformation in ebbs and flows over the years, often struggling to scale up digital initiatives or find the right business case for widespread transformation. When the pandemic started to accelerate in the United States, the industry's push to digitalization accelerated with it.

For the pharmaceutical industry, going digital wasn't just about creating remote work capabilities but wholly transforming substantial, core processes such as clinical trials, patient engagement, lab operations, R&D, and more. Now, with a vaccine approved and on the market, pharmaceutical businesses can not utilize these practices to recover quickly and resume business in the new landscape with enhanced capabilities at their disposal.

Looking ahead to 2021, it will be critical that businesses in the pharmaceutical industry prevent a devolution towards "business as usual." The pandemic, while challenging, created an inflection point that will allow businesses to move faster and more efficiently without sacrificing efficacy or safety. Barriers that seemed insurmountable before have now been torn down, allowing the pharmaceutical industry to innovate in new ways.

These digital capabilities themselves, while powerful, also afford access to new troves of data that can inform better decision-making across broad areas of the business. From internal operating data to interactions with physicians and patients, pharmaceutical businesses will now be able to drive greater insights.

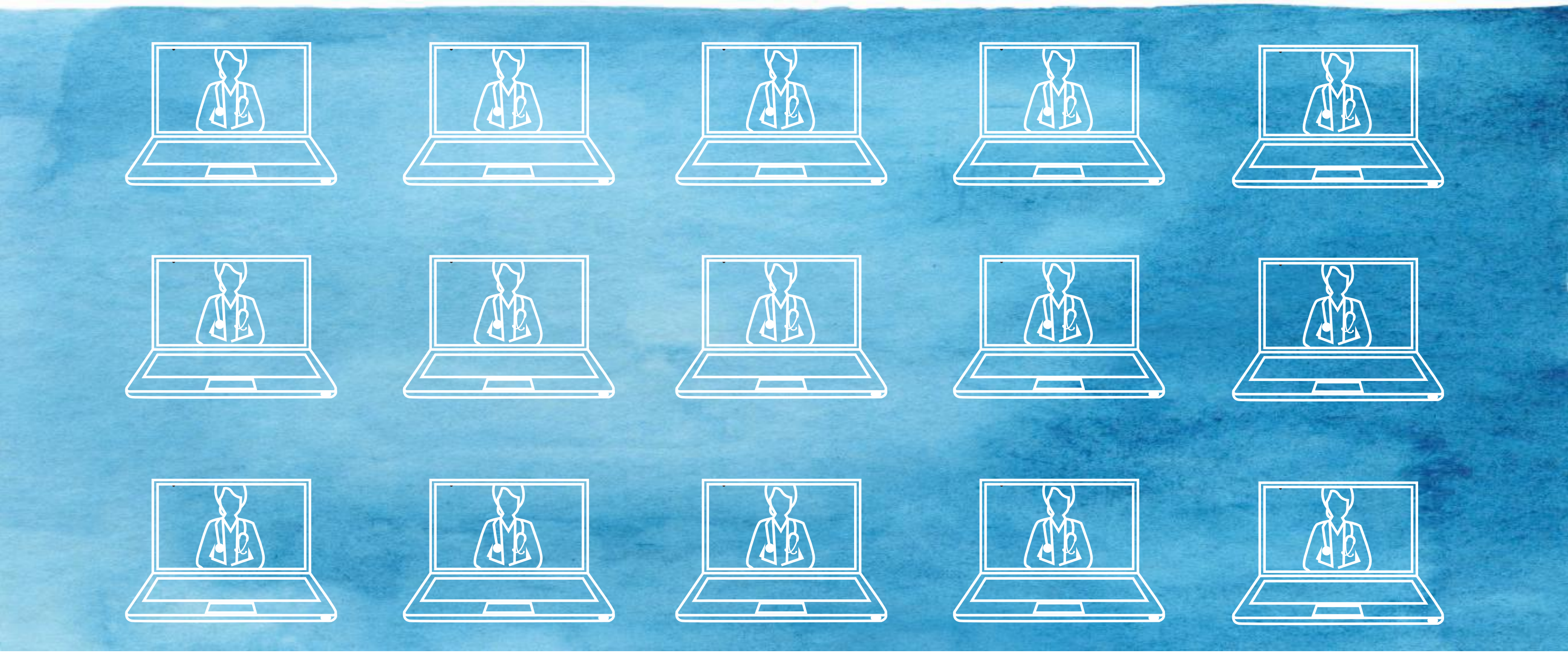
Sustaining and optimizing digital capabilities in the post-Covid world will be critical to compete. Certainly, there are aspects of business that will return to pre-pandemic, real-world standards. But, the onus will be on leaders to carefully segment those that are necessary from those that are comfortable to continue capitalizing and growing digital capabilities and results.

TREND #4:

"Consumerizing" patient and physician engagement strategies

Biotech and pharmaceutical companies have begun to view their patients through a consumer lens. In doing so, they're pursuing new strategies and approaches to sales, marketing, and engagement. In this evolution, it will be increasingly important to personalize their approach – something that other industries now view as standard procedure.

For instance, physician segmentation is becoming key to success in pharmaceutical marketing; knowing exactly who the audience is and what their needs are will help create a personalized approach and experience for each physician. A variety of segmentation models can be used to separate groups based on different factors and attributes, and companies can experiment with various marketing channels to best engage.



The shift towards telemedicine is another trend that was occurring relatively slowly pre-Covid but has now rapidly exploded and will likely remain moving forward. It's not just a paradigm shift for how patients and caregivers interact, but for how drug makers reach them as well.

Moving into 2021, businesses in the pharmaceutical industry must carefully align their commercialization strategy to the telehealth paradigm. This isn't a simple change in advertising spend, it's a move towards creating impactful digital experiences for both physicians and patients through the channels they now associate with their care.

Beyond marketing, understanding how you can improve outcomes with digital engagement will be a crucial aspect of your patient journey plan. Effectively incorporating tailored, unique messages to patients and physicians will not only serve to improve outcomes but offer up new data to better improve further engagement strategies and tactics.

TREND #5:
Shifting manufacturing models

For years now, manufacturers have been transitioning away from batches and towards continuous manufacturing. The need for this change even further accelerated with the pandemic, as drug companies looked to speed up operations exponentially.

This method of designing a drug assembly line allows pharma companies to take weeks or even months off the production time. Though it seems undoubtedly attractive, many companies have held off on making the huge investment. This, coupled with the barriers in place to prevent wide scale implementation, have prevented it from reaching its potential.

On the contrary, batch processing takes many different steps and oftentimes out of house operations, likely in China or India. With continuous manufacturing for businesses in the U.S., the entire process is expected to occur in North America. This process is particularly useful in times such as a pandemic, where production can be scaled quickly, and supply chain risk is minimized.

Today, not even a dozen drugs are produced using continuous manufacturing. Thus, there is an enormous space for growth in the near future. Cost is the primary reason for not investing, and the benefit of implementation will soon outweigh it as businesses have realized the need for supply chain resilience.

In 2021, businesses will need to carefully examine their long-term strategy to understand the role a shift in manufacturing modalities would play. For autologous cell and gene therapy companies, for example, small batch manufacturing is the only real option. For others, however, the at-times high cost of instituting continuous manufacturing will be rapidly returned in value to the business.

ABOUT CLARKSTON CONSULTING

Businesses across life sciences industries partner with Clarkston Consulting to enhance strategic decisionmaking, improve operational efficiencies, implement new technologies, and promote business growth and market diversification. Leveraging deep functional and industry expertise, our people discover, design, and deliver solutions that fit your business, your goals, and your future. At Clarkston, your purpose is our purpose.

For more information about how we can help your company, please contact us.

Copyright © 2020 Clarkston Consulting. All rights reserved.