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Mining Minds Of Doctors For Better Predicting Drug Market

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Most of my career has focused on the cool technologies coming from scientific innovators. But I developed a growing appreciation of just how little snazzy science actually means if it isn't surrounded by a great business team.

In biotech, just about every company has a way-cool method for tweaking signal transduction pathways to get body cells to do our bidding, or using algorithms to predict molecular interactions in silico.

But not many have the ability to predict the future behavior of those physicians who must prescribe the fabulous new drugs to generate that net profit of which we all dream.

TargetRx has that crystal ball.

Sabermetrics Hit Biotech

TargetRx's website describes the company's focus as "providing more powerful and actionable level of marketing info to drug industry." What the heck does that mean?

Think of it as applying the mathematical and statistical analysis of Sabermetrics (www.sabernomics.com) to picking the right path to market, instead of the correct ballplayers needed to win the World Series.

Mike Luby, co-founder and CEO of TargetRx, spent a decade at Merck developing a disdain for conventional approaches to marketing strategy.

As senior director of worldwide new product marketing, Luby found that companies approaching Merck with in-licensing deals often had great science but superficial analyses of market opportunities.

Most companies used only prescribing data as the main driver for decisions. "There are X patients treated today; if we get Y share, it'll generate Z profits." That is not the best way to analyze a market and misses untapped potential for a novel therapy with new benefits to expand a market.

TargetRx has spent six years collecting reams of doctor feedback, matching that up with actual market performance and identifying a novel set of "biomarkers" that can predict variables that drive performance of new products - long before they enter the marketplace.

When Good Data Go Bad

Luby said that most physician surveys provide unreliable, incomplete information that contributes to big market misses. Companies don't benefit from a product's full potential, because they never knew it was there. Conversely, they overestimate the enthusiasm with which docs might adopt their product.

The SeptraFilm franchise at Genzyme Corp. is one example of lost potential. When SeptraFilm was launched in 1996 to block surgical adhesions, The Wall Street Journal lauded it as a future blockbuster. But the product had 2005 worldwide revenues of \$68 million. What happened?

Luby said the science didn't fail. Rather, it's a textbook case of great science supported with "back of the envelope" market calculations that missed the boat. Genzyme was so sure the science would be valued by surgeons that the marketing and development plans didn't focus on convincing them. The company didn't understand reimbursement problems and medical issues that slowed market adoption.

Luby sees many examples of missed opportunities. "You need to understand the marketplace as the product candidate emerges from preclinical. Otherwise, you can't make a good assessment of the optimal clinical strategy - what things to include, or not, in the trials. You want to maximize your dollars to move as far down the development path as possible, with as few mistakes as possible."

Genzyme also provides an example of the payoff from early market strategizing. Its Renagel was considered boring science and not expected to hit revenues of \$100 million. But it generated more than \$400 million in 2005, up 14 percent from 2004!

Luby noted: "They worked very hard to understand the market opportunity. That information shaped the clinical trial design and created a clear idea of what they needed at market launch, as well as follow-on products and services to bring to market in the years after launch."

Targeting Real Market

So what does TargetRx have that your company needs? A unique view into the minds of the doctors who must decide to write a scrip for your product before sales can happen.

"We created a relational database filled with survey information that will predict doctors' behavior in the future. We also spent lots of time understanding sales forces and what they do. We survey doctors about reps

- materials used, messaging, how did they close, did you find the info compelling, would you prescribe their product, why?"

That database was six years in the making, matching up doctors' comments with their actual prescribing behavior over time for 100 drugs - small molecule and biologics - in various therapeutic categories. It includes more than 150 million datapoints collected from 65,000 U.S. doctors, which then are churned through TargetRx's patented analysis.

TargetRx has a patent allowance for using the database and modeling to predict what will happen in a future product launch and what key factors will drive that behavior. That helps the client decide where to focus development/commercialization time and dollars to have the most impact on directing prescribing behavior.

For a new product, TargetRx starts "pre-tracking" doctor surveys 18 months to 24 months pre-launch, asking about new-drug awareness for the indication, how the client's drug stacks up to existing treatments, are there unmet needs in treatment, and would they use the new product and how? The analysis then provides insight into the key issues. Maybe safety is more of an issue than efficacy for your product, so focusing on a large safety study at a pre-launch conference, rather than efficacy, might lead to faster market acceptance.

While his clients are understandably reluctant to go public, Luby said he has many cases of customers moving market share using his information.

"We work with a majority of the top 30 pharma companies and some product-focused biotechs. In our best engagements, the sales force is being held accountable to targets based on our data showing what they must do to maximize the effectiveness of sales and marketing. We can help management track and analyze the performance against these targets."

TargetRx has had consistent rapid growth over the last six years. While clients almost exclusively are U.S.-based, the company has analyzed European markets for them.

"We see a lot of enthusiasm from biotechs. More companies are realizing that to be credible and get the product to market by themselves, they need this kind of improved rigorous analysis. Investors and partners are pushing them for this information. You are at their mercy without it. How can you plan your clinical program efficiently if don't you really understand which indications to have at launch, what to add on later? An early shift of a couple million dollars in revenue can make a big [net present value] difference in deals."