

Positioning a Biotechnology Company for Acquisition by Leveraging Future Demand Estimates

Observant LLC consultants were commissioned by a leading biotechnology company to conduct a multi-phased assessment of a mature therapeutic area in order to assess demand for a potential new medication currently in Phase III trials. The critical objective of the study was to estimate future demand for the new product under different clinical trial outcome scenarios and for different product configurations.



Estimating demand under these circumstances posed three significant challenges. First, the medication under consideration had a novel mechanism of action that potentially made it difficult for physicians to predict how they would use it given their lack of a direct frame of reference. Second, because the medication would not launch for several years, the current market may differ from the future market into which the product would launch. Third, the company was also attempting to assess different modes of administration and required input as to how this would impact demand.

The initial qualitative stage of this research addressed the first two challenges. Qualitative telephone in-depth interviews were conducted with relevant physicians to understand their awareness of the new product, the degree to which the medication's mechanism of action was familiar to them, and how best to describe

the new medication to maximize their understanding of the product. Additional interviews and consultation with thought leaders and the company's medical advisory panel provided our team with accurate knowledge of how the market would change over the next 5 years (e.g., new medications that would be available, changes in the patient population).

In the subsequent quantitative phase of this research, a discrete choice model was utilized to capture the complexity of the different medication configurations and potential data for efficacy, safety, and tolerability. Physicians were presented with hypothetical patients and different configurations of the company's medication. For each patient, they were asked which configuration they preferred and the degree to which they would prescribe it vis-à-vis competitive agents (both agents currently available and those expected to be available in the future). One of the product features that varied across presentations was the mode of administration (addressing the third challenge above), thereby permitting demand estimates specific to each mode.

Subsequent modeling and programming yielded a customized simulator that enabled the client to estimate demand for their medications under different "what-if" product and market scenarios. The client successfully leveraged these demand estimates in presentations to a number of large pharmaceutical companies who considered the company an acquisition target.

For more information about Observant LLC's capabilities in addressing key new product strategic issues in the biotechnology sector, or our methodologies in discrete choice analysis and quantitative science, please contact info@observant.biz.