A General Manager's Point Of View : Running The Bottom Line – Do We Need Mergers On The Supplier Side?

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The market

The pharmaceutical industry has always been a global industry but companies are pursuing economies of scale by mega mergers. For those of us who have worked in the industry for several years the changes have been substantial and swift. These mergers mean that few companies have remained untouched and changes have impacted on suppliers.

The need to fund our research based organisations has created the imperative to optimise commercial performance within product life and pressures on reimbursement and to be first to market have steadily increased the need to bring products to market as quickly as possible at the optimum positions. Less experienced pharmaceutical staff, due to internal systems, and rotation, often results in the product experience resting with the supplier.

Supplier requirements

The services required by our customers demand two main challenges:

- Global reach
- Breadth of services

The value of a supplier with sufficient size to enable representation in all major markets and a breadth of services to match therapeutic teams is often emphasised.

Unfortunately companies also have other important requirements:

- No conflicts of interest
- Creativity
- Priority service and In-depth technical understanding

All the above needs are required for all product teams and as yet pharmaceutical supplier companies have not fully adopted advertising industry practice of dropping existing smaller clients for more profitable, larger ones.

The contradictions

The small creative fast moving dedicated support required by the product team within pharmaceutical clients may raise some issues of conflict with the need for large multi-national, multi-competency support companies.

The economies of scale needed to support large global suppliers are bound to lead in a reduction of supplier choice and an increase in product conflict issues. In addition the suppliers have consistently attracted staff who prefer smaller organisations and who flourish in the creative and entrepreneurial hothouses created.

Is it inevitable that agencies must follow the imperatives and expand via growth and amalgamation to meet the objectives of global reach and breadth of services? If this is to be the future how do large agencies maintain the creativity and entrepreneurial skills that give competitive advantage to their clients, whilst delivering global reach and breadth. How do small creative agencies match the increasing demands for capital security and client purchasing department scrutiny?

The Models

The global agency

A large supplier with representation in all major markets a truly global reach and a breadth of technical support services.

ADVANTAGES	DISADVANTAGES
Global understanding	Conflict of interest risk increases
Technical knowledge	Challenge to creativity
A 'one stop shop'	Challenge to risk taking
Efficiency of size	A processor
The easy choice for the client	Lack of alternatives

The individual consultancy firm

ADVANTAGES	DISADVANTAGES
Creative	Limited global spread
Dedicated	Limited technical spread
Risk taking	Depth of support staff
Client focussed	The hard choice for the client

Do large organisations have to be less creative or entrepreneurial than smaller suppliers? This may well be the case in some globally branded supplier companies due to the dynamics of larger organisations and staff aspirations. In many larger organisation it is possible to lose sight that the object of your attention should be your client and his challenges not challenges within your own organisation. The reward of risk and the acceptance of failure is often greater in smaller creative groups, security and certainty of delivery can be paramount.

The choice is made even harder for product teams in that their own company may not encourage risk taking. The potential loss of creativity may be worth making the safe (endorsed) choice. Mavericks in pharmaceutical companies are fewer these days for good or ill and experience can be lower due to internal rotation policies.

How as suppliers and customers do we reconcile these conflicting choices for our mutual benefit?

The third way

The creation of a supplier organisation which can provide the size needed for support of the Global Pharmaceutical companies and which also manages to retain customer rather than internal drive is possible. If such an organisation can also keep the creative and entrepreneurial skills of smaller supplier companies then it is possible to meet all objectives.

Some of the larger supplier groupings have tried to reach a global brand with strict rules of engagement set down for conduct of business. However, a more interesting model may be where the individual supplier companies retain their own identity and management but benefit from the financial, geographical and technical support of an umbrella organisation of such companies.

Adelphi is an example of such an organisation, as part of the Omnicom Group which can be best characterised as a series of fiefdoms. Within the group wholly owned companies can compete directly with each other and indeed can set up new services which compete with other group companies.

Examples of companies in the group are:

Global advertising agencies	BBDO Worldwide
	DDB Needham
	TBWA Worldwide
US National advertising agencies	Goodby, Silverstein & partners
	GSD&M
	Martin/Williams
	Merkley Newman Harty
Diversified Agency Services	Over 75 companies in 62 countries
	Public relations
	Health care communications
	Promotional marketing

This diverse skill based model enables each company to work independently under its own brand name not a global service brand. The sharing of new technology, geographic and financial strength have enabled improved client support and greater staff freedom to be creative. Energy has remained externally rather that internally focussed because, although the umbrella company is huge, the agency you work for remains small and focussed.

By using the fiefdom model Omnicom have managed to preserve entrepreneurial risk taking and may provide an example for the industry to follow in areas where individuality is essential e.g. Discovery. Many pharmaceutical companies have decided that the encouragement of creativity and risk taking needed for Drug Discovery do not sit well within the structures of large global organisations. The adoption of a different culture or even a totally separate organisation for Discovery teams is an approach being considered in many areas.

The delivery of best in class services for each of the fiefdoms means that cross referral of business occurs because customers believe the company is the best. Thus there is room within the group for several competing advertising and PR. agencies which often turn up to pitch against each other. In this scenario a client chooses the supplier they consider best in class and do not compromise creativity for global branded presence. A virtue is made out of customer choice.

The Future

Customers

The industry must decide what it wants:

Global research and Breadth vs Creativity and Individual Service

In addition the conditions to allow industry staff to make risk positive decisions on the basis of creativity must be encouraged. The customer will decide the shape of the suppliers, do they want risk negative, process drivers, with global organisations or creativity and cutting edge.

Purchasing and security systems will eventually squeeze out all but the largest and financially strong agencies, the consequent amalgamations among suppliers will further reduce choice.

Agency staff

Many people come to agency life to achieve creativity and entrepreneurial challenge which they have not found in previous careers in the industry.

To maximise the value and experience of these valuable consultants it is essential the agencies meet their expectations and maintain a customer focussed, creative and risk positive environment. If each staff member feels individually valued and important then client service will be maximised. Should we lose this self worth, both agencies and industry will suffer.

Conclusion

In the end, the customer is King so the industry will make the choice. However, I believe the most crucial aspect of the service is creativity and client support. I remain to be convinced that large global organisations under consistent one brand systems can achieve high level creativity, client support and staff motivation. As an interested party I am not sure that the expectations of talented employees can be met in large process driven global organisations.

The small highly focussed consultancy will always have a role and will provide challenging creativity if the pharmaceutical industry remains brave and experienced enough to take the risk. However there will still be the gap between billion dollar products and small consultancies.

The brave new world of globalisation may throw up opportunities for those who can combine the creativity and entrepreneurship that makes a supplier best in class with the support needed for global products. The confidence and strength needed under the fiefdom system to deal with conflicts between agencies, brands and staff (all with client focus) is hard to achieve. If we successfully harness this confidence and strength then both the industry and suppliers will win.