

# Industry perspective



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# Agenda: Industry perspective

- **Product development investment decisions**
  - ◆ **Illustration of the impact of conditional reimbursement**
- **Innovation**
  - ◆ **Needs and challenges**
  - ◆ **Categories**

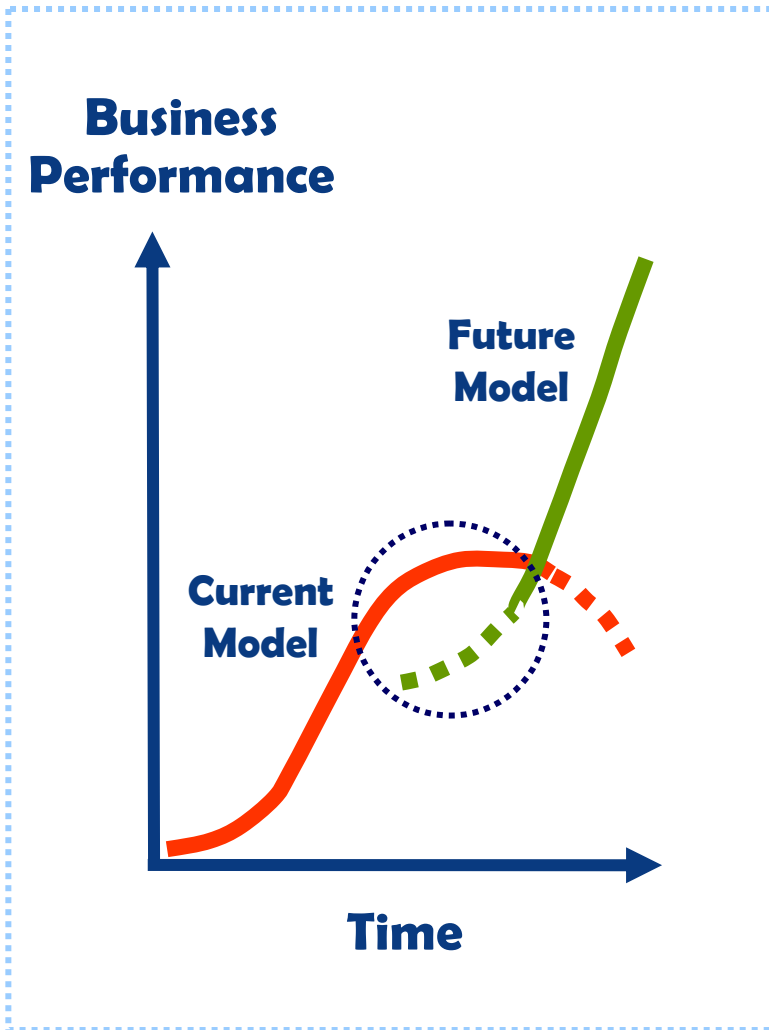
# A hypothetical "asset" in the investment portfolio

Year	Expenses*	Revenue	Net	Phase
1	\$10	0	-\$10	1
2	\$10	0	-\$10	1
3	\$20	0	-\$20	2
4	\$20	0	-\$20	2
5	\$50	0	-\$50	3
6	\$70	0	-\$70	3
7	\$70	0	-\$70	3
8	\$50	0	-\$50	3
9	\$100	\$400	\$300	4
10	\$100	\$600	\$500	4
11	\$80	\$730	\$650	4
12	\$80	\$760	\$680	4
13	\$80	\$800	\$720	4
14	\$80	\$820	\$740	4
15	\$80	\$840	\$760	4
16	\$60	\$750	\$690	4
17	\$1	\$300	\$299	5
18	\$1	\$100	\$99	5
19	\$1	\$50	\$49	5
20	\$1	\$40	\$39	5

\* \$ values in millions

\*\* Values hypothetical, made up by me

# The Need for Innovation



- The current industry business model is becoming unsustainable
- The landscape of the future world inevitably appears unclear today when compared to the certainty of today.

# Internal Impediments to Innovation



Organizational resistance: The current organization has been created to deliver the existing products and services – new models do not fall neatly into the current organization.



Risk aversion: New projects have downside with no incremental reward for individuals who experiment at-risk.



Investment crowd-out: Investment in today's "optimized" model usually looks better than the ROI on new projects.



Inertia: When the current model has worked for a long time there are often too many critics and too few champions of innovation.

*... all these emerged as real barriers in interviews with Pfizer colleagues*

# The Ten Types of Innovation

1. Business model **DELL**  
how the enterprise makes money

2. Networking  
enterprise's structure/  
value chain  
**WAL\*MART**

5. Product performance **Intel® Pentium® 4**  
basic features, performance and functionality

6. Product system  
extended system that surrounds an offering  
**Microsoft Office**

7. Service  
how you service your customers  
**FedEx**



3. Enabling process  
assembled capabilities  
**SIEBEL**

4. Core process  
proprietary processes that add value  
**GE Capital Aviation Services**



8. Channel  
how you connect your offerings  
to your customers

9. Brand  
how you express your offerings  
benefit to customers  
**Virgin**

10. Customer experience  
how you create an overall  
experience for customers



# Recent Patterns of Innovation in the Pharmaceutical Industry

References in Public Literature to Company Strategies and Investments, 2006:

Network  
Business Model  
Enabling Process  
Core Process  
Product Performance  
Product System  
Brand  
Service  
Channel  
Customer Experience

In the Pharmaceutical industry, innovation has historically focused on product performance

Recently patterns of innovation have shown more focus on core business processes

Can we think differently about the boundaries of the company?

- Accessing Innovation
- Building capabilities with outside experts

The best opportunity to outperform MAY be in innovation areas ignored by others:

- New platforms, new services,
- More differentiated experiences for consumers, payers and providers



## **Discussion / comments / questions**