

winning in consumer health

Leveraging Talent that Transcends Legacies

EgonZehnder

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Brands and products with health benefits which are consumer-relevant as well as clinically substantiated are poised for global growth. In a market moving from illness to wellness, a diverse product range – including pain relievers, yogurts, muesli bars, and chewing gum – is competing to capture the market potential in “Consumer Health.”

Top companies in both Pharma and Consumer aim to win in Consumer Health. Each camp boasts essential core strengths:

- Leading Pharma companies are experts in developing and delivering products with the *substantiated health benefits* that command a premium from today’s uber-informed, health-conscious consumers.
- Top Consumer companies excel at creating the *differentiated brand* appeal required to attract consumers, generate a unique brand experience, and earn customer loyalty.

To win in Consumer Health, neither core strength is by itself sufficient. In order to succeed, companies must marry the traditional strengths of both Pharma and Consumer and even go beyond. What sounds so simple is actually a long journey: a strategic imperative achievable only by talent that transcends what has traditionally been required to win in either sector.

A market poised for global growth

Consumer Health is not entirely new. Leading Pharma companies have long marketed OTC products that consumers can purchase without a prescription or reimbursement from a health plan. Aspirin is the classic example. And health and wellbeing have long been mainstays of Consumer companies' brand promises for food, beverage, and personal care products. Just think of that gut-stimulating yogurt or the rejuvenating water you had the other day.

However, our recent interviews with a broad range of senior executives active in Consumer Health strongly suggest the Consumer Health marketplace is both changing fundamentally and poised for sustained global growth, with healthy margins and a solid profit stream for established brands (see Chart 1).

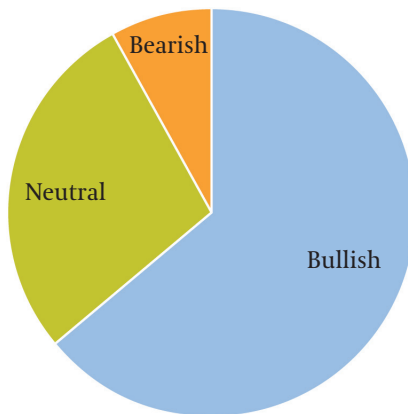


Chart 1 Most feel “bullish” about the prospects of the consumer health market

Key growth drivers include:

- Access to information: With “Doctor Google” just one click away, the internet provides consumers unprecedented access to health information, empowers individuals to take more personal charge of managing their own health, and makes it simple for everyone to share their experiences – good or bad.
- Life expectancy and health consciousness: The 60+ population is expected to triple in the next forty years to a whopping 2bn worldwide.¹ These (many times more affluent) consumers are living longer, more active lives in which they want to stay healthy and fit.
- De-reimbursement: With public accounts ailing in many countries, public health spending is becoming more restrictive in mature markets, driving conversions from prescription to self-chosen and self-paid health products.
- Upgrading: In emerging markets, the growing middle class is upgrading from cheap, “below-the-counter” drugs that do the job to “health brands” which provide a proven value add.

However, winning will not be easy

Despite all these growth prospects, perspectives we gained from in-depth, personal interviews with senior leaders from both Pharma and Consumer companies active in Consumer Health strongly suggest that winning in this marketplace will not be easy for anyone.

Those aspiring to win in Consumer Health face a host of evolving challenges (see Chart 2), among them

- More discerning and demanding consumers than ever before, with a strong aversion to products that do not live up to their promise (and an equally strong likelihood to say so in internet forums)
- A complex, fast-changing, and often decidedly local regulatory environment
- Great channel complexity, from highly traditional pharmacies to the internet, with only brand leaders or exceptional new-entries being preferred by consumers and top retailers

1 Source: World Population Aging 2009, United Nations, 2010

- More competition from highly committed players with deep pockets – of which there are many new joiners (for example, illustrated by the rise of Reckitt Benckiser, which is a source of both admiration and fear for many market participants. The still relatively fresh JV of P&G and Teva is another sign of a more crowded market.)
- The complexity of achieving economies of scale in a market dominated by local brands (In fact even the best-selling global OTC brands like Pfizer's Centrum typically post no better than single-digit global market shares.)
- The internal challenge of getting top-management buy-in for Consumer Health – despite its growth prospects, the business is different and requires belief, understanding, and a long-term commitment.

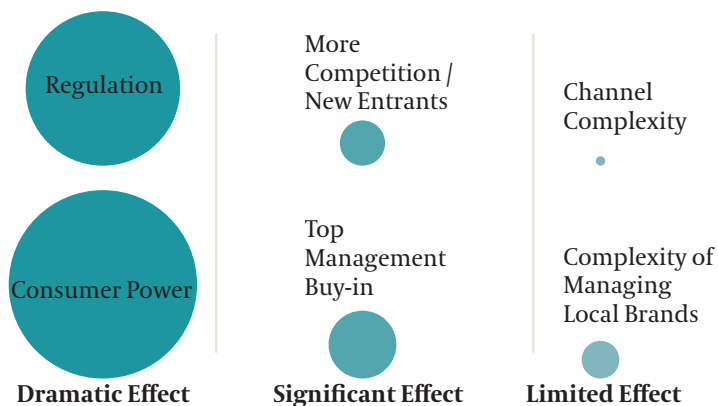


Chart 2 Perceived effect of trends/challenges on complexity of Consumer Health

For all these reasons and more, this isn't a market for those trying to make a quick dollar. Winning in Consumer Health demands a long-term commitment and outstanding talent.

“The food industry is behind in thinking about the elderly. Most of the products we make are designed for 20-50 year-olds. We don’t take into account the nutrient needs of the elderly.”

“When we collaborated with this big FMCG company, they could turn a dull-tasting product into something quite delightful in no time. This would never have been possible in a Pharma company. But then they were completely clueless about even the most basic regulatory elements.”

“Pharma people are hopeless in marketing, but they are excellent at things like KOL management, doctor detailing, regulatory affairs, sales force effectiveness, market access, and clinical trials.”

“As a Pharma company you know a lot about what products do to your body. The visual part you don’t care about. If it doesn’t taste good you put it in a capsule; as long as the color is not black you’re all right.”

And no one industry has all the vital ingredients

Both Pharma and Consumer companies have indisputable strengths as well as shortcomings to overcome if they are to clear the hurdles mentioned above and fully reap the undoubted benefits of this marketplace. Our interviews are making it clear that there is no one truly winning industry.

Pharma’s scientific, clinical, and regulatory capabilities and its strengths in stakeholder, KOL, and recommender management offer obvious advantages in delivering products with substantiated health benefits, which is a clear key to success in the face of intensified regulation and consumer demand for products that deliver on their promises. Yet to win in Consumer Health, companies must also build brands that excite and delight consumers, create a unique brand experience, and command their loyalty. The advantage in creating brand experience clearly lies with major Consumer companies.

To make the most of the global opportunities in Consumer Health, companies must effectively combine credible health benefits with differentiated brand appeal – a strategic imperative achievable only by a diverse talent pool that transcends what has traditionally been required to win in either Consumer or Pharma. Consumer Health demands experts with scientific understanding of metabolism and the physiological effect of ingredients, and stars who bring nuanced insights into consumer needs, brand experience, and shopper behavior.

Pharma companies ...

- can build on their explicit mission to promote human health
- can leverage their deep experience with clinical trials to develop products with substantiated health benefits
- have easy access to the underlying human sciences, e.g. physiology, metabolism, absorption, formulation etc.
- are used to an extensive and highly interlinked development process and long cycle times
- are able to leverage long-established relationships with health care opinion leaders and regulatory bodies
- know how to effectively manage product safety and quality
- have often excellent relations with pharmacists, the most credible recommenders at the retail level

Consumer companies ...

- can build on their explicit mission to meet or exceed consumer needs
- are experts at developing products with differentiated brand appeal, based on deep consumer insights
- know how to operate efficiently in highly competitive markets and with small margins
- have a legacy of delivering superior brand experiences along all dimensions, including taste, texture, packaging, format
- can easily mobilize vast experience in understanding shopper behavior
- are experts in channel management and in dealing with large mass-market accounts
- are geared for a speedy time-to-market of new ideas
- are accustomed to building local preferences into global brand platforms

The key lies in leveraging talent that transcends the legacy of either industry

Our interviews with senior leaders in both Pharma and Consumer identified four exceptional competency spikes for Consumer Health: Inclusion, Resilience, Strategic Insight, and Consumer-focused Stakeholder Management.

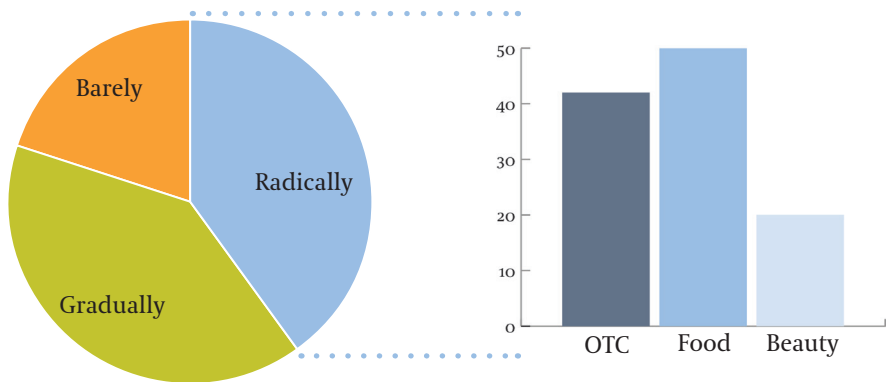


Chart 3 Talent requirements will change – many say radically – especially in Food

“It seems consumer health often leads a Cinderella life versus their prescription colleagues, so they can’t attract the right people.”

“Joiners can really shape a new industry here and be part of a broader agenda. You can be involved in something meaningful and contribute to society. That’s how I attract and motivate my people.”

Inclusion

Inspiring a Common Culture from Diverse Backgrounds

Consumer Health executives must be prepared to build and lead organizations and craft cultures that effectively combine the strengths, values, and mindset of both Consumer and Pharma. The reality is, every organization has its “heroes.” In some, marketing is exalted. In others, the company’s most gifted scientists, researchers or engineers garner most of the glory. Especially mixed Prescription and Consumer-Medicine companies suffer from this.

A principal challenge facing Consumer Health executives is inspiring everyone to work together

toward shared goals, and to authentically value the contributions of people whose talents are markedly different from one's own. Such is no small feat, but it is essential both to attracting and retaining top-tier expertise, and to creating "one winning team" from an unusually diverse blend of talent.

In some cases, this might require unusually strong capabilities in change leadership, particularly if the Consumer Health business is part of a larger conglomerate with either a Consumer or a Pharma heritage.

Therefore, re-directing, but at times also propping up an organization will be necessary to instill the right mindset and to build a highly motivated and unified Consumer Health enterprise. The best Consumer Health executives will create an exceptionally strong sense of "true north" in the organization to foster consistently productive collaboration among groups of people who view the world through very different lenses and with a variety of perceptions of priorities.

Resilience

Weathering the Challenges of an Unusually Complex and Evolving Marketplace

Consumer Health will also demand unusually high levels of entrepreneurial resilience, as it will often take time to deliver strong revenues and profits in this market. Lengthy product approval procedures, regulatory challenges, and the strategic complexity will wear on some Consumer Health executives – particularly those used to speed and a high number of launches. They will be tempted to change course, in the hopes of meeting near-term budgets, more often than is strategically prudent.

"I am staggered by the bureaucracy in Pharma companies. It takes much effort to change this even slightly and I am not even sure this is the best use of my energy."

"We were like the poor brothers. We felt we didn't get the same resources as our prescription colleagues."

"We had these great products in our pipeline but we did not have a clue that the regulator had already plans in their drawers of banning one of the substances. It cost us two years and quite a few dollars to recover and re-fill our pipeline, but now we are back on track."

“We are using novel methods to taste-test our products. What would have taken a few months before, we can now do in a couple of days.”

“When we as the global executive team listened to regulators and what they thought about us and our industry we realized that ignoring them would be outright stupid. More so, we decided that dealing with them was a strategic priority, and that we could not delegate it.”

“You have to know policy makers, and they have to know you. It has become as common as doing store checks when I visit a country.”

The challenge lies in staying the course despite these headwinds, getting things done, making or exceeding the numbers, and developing the business despite the many setbacks and complexities that may be encountered, for example by redesigning business practices to deliver breakthrough results without in any way compromising on consumer expectations or quality aspirations.

Strategic Insight

Shifting with Ease Between Multiple Layers of Complexity to Generate Business Opportunities

Several of the senior Pharma and Consumer leaders we interviewed mentioned the need for exceptional multi-level as well as lateral thinking in Consumer Health. Top Consumer Health executives must quickly transition from understanding highly technical details (e.g. multinational regulatory compliance) in one instant, to thinking in highly conceptual terms (e.g. brand strategy) the next – with both levels of thinking effectively informing each other. In Consumer Health, regulation is not just about getting products launched. It is also about getting health claims approved, which in turn touches the heart of marketing, branding, and messaging. As such, deep dives into technical or regulatory detail and bold abstract thinking are inherently intertwined.

Consumer-Focused Stakeholder Management

Managing a Plethora of Interest Groups while Staying Focused on the Consumer

Having established a common culture and sense of “true north” for the organization, Consumer Health leaders must effectively find a balance between an unusually wide array of external stakeholders

– including regulators, endorsers and the medical community, public health authorities as well as marketing partners, distribution channel partners/ customers, the media, investors, consumer interest groups – while also unifying and focusing a diverse internal organization including scientific experts. With all that said, these varied stakeholder interactions must all revolve around the consumer – as consumer needs and preferences are ultimately decisive. The lowest common denominator for a product, modified slightly to satisfy all of the above parties, may not be at all what the consumer will eventually embrace, let alone become loyal to. The ability to persuade diverse interest groups to pursue a course of action, sometimes against their initial inclination, for the good of the consumer is what truly makes a difference. This involves persistence as much as empathy, as well as the ability to find compromises and build relationships, and finally, a clear consumer orientation as the final guidance for all action.

“This is not about simply eradicating all sodium in your products as the authorities and media say, and here’s your healthy product. We have seen competitors fail hugely as they blindly follow this request. In these products, the consumer wants delightful taste. When you put that first in your thinking and combine it with the objective of being healthier, you will find the best solutions.”

Where to find the talent you need?

There is no one pool for such talent, and it will take exceptional leaders to bring such diverse contributors together into a coherent, focused, and highly competitive Consumer Health enterprise. A strong track record within the Pharma or Consumer realms, while obviously important, does not guarantee an executive will succeed in Consumer Health. Indeed, it appears entirely possible for leaders who have been highly successful in one sector or the other to fail entirely in Consumer Health, as the indispensable strengths are broader than in either established context. In sum, companies preparing to contend seriously in Consumer Health must look laterally, beyond what they know best, to fulfill their talent needs, with a focus on crucial leadership competencies.

“When we had hirings go wrong, it was for a lack of cultural fit.”

“We brought in someone in technical operations with a completely outside background. Without my sponsoring he would have been rejected after three months.”

“There are a few good PhDs around who know about nutrition, but you need to take them by the hand as they make their first steps into the corporate world.”

The imperative of onboarding

To build a highly competitive Consumer Health organization, most companies will need to attract outside talent – including talents quite different from those they have traditionally employed. Companies must avoid the trap of simply placing people in these new settings and expecting them to thrive, as this will rarely work.

Instead, winners in Consumer Health will systematically support their people’s efforts to forge productive new work relationships and quickly grasp the rules (many unwritten) of the new work culture. A serious commitment to integrating new talent (as well as current employees shifting to new Consumer Health roles) is imperative.

Elements of such an integration – which ideally starts before Day 1 – can be

- Cultural adaption. What was the past culture like? What will the current culture be like? What are the pitfalls?
- An introduction to the (many!) stakeholders
- Constant mentoring/coaching during the first months
- Regular communication to pulse-check the fulfillment of expectations – with a broad range of stakeholders, including the team

Companies placing large bets on Consumer Health should face the full range of integration challenges squarely with proactive, thoughtfully tailored, systematic support for their new joiners.

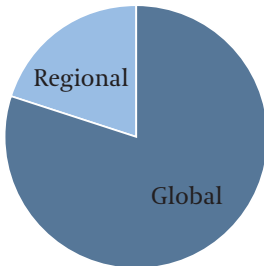
Conclusion and outlook

Consumer Health is here to stay. It has been around for a long time and is already integral to many kinds of household consumer products. As consumers are getting older, more knowledgeable, and pickier, players in this field are well advised to tighten up and prepare for what is already becoming a hot competitive arena.

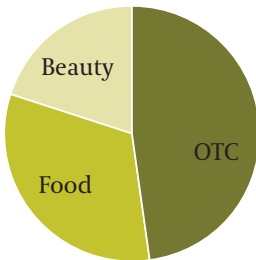
The market is going to evolve dramatically. Understanding and knowing the consumer in her entirety to create brands, products and even services to delight and excite her will mark the next level of development. Clearly, exceptional talent is always a source of competitive advantage. Yet in the complex, highly fluid realm of Consumer Health, a special breed of managers is required to cater to consumers who aspire to stay fit and healthy for the benefit of themselves, their families, and their workplaces. The four spike competencies of Inclusive Team Leadership, Resilience, Strategic Insight, and Consumer-focused Stakeholder Management are likely to prove paramount at senior levels, to excel in this market poised for global growth. The source of these exceptional leaders is secondary – they may come from within, or from outside, from Pharma or Consumer, or even from other contexts (e.g. Consumer Electronics). What is important is that they are not treated as saviors that can single-handedly change things in an instant. They need time and integration support to come to full fruition.

Methodology

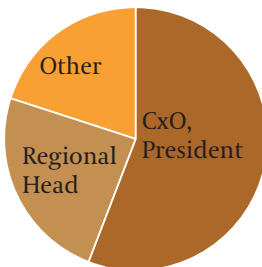
Between 2012 and 2013, we spoke with 25 CEOs and top executives from businesses associated with consumers and their health, ranging from ascorbic acid to baby food, from chewing gum to cough syrup, from painkillers to sports nutrition, from toothpaste to yogurt – to name just a few. We equally interviewed multi-billion global players as well as mid-sized, family-owned, regionally operating companies. We are grateful and would like to thank all participants for their valuable time and insightful comments.



The vast majority of executives interviewed are with globally operating companies



The sample was spread evenly between Pharma- and Consumer-oriented segments



Most are in very senior executive roles

Authors

We are very grateful to the participants and Egon Zehnder colleagues who shared their thoughts and experiences with us and thus contributed to the findings of this article.

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