

# A GUIDE TO BETTER PHARMA DEMAND RESEARCH

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**Due to advances in medical science and technology, more new drugs are in development than ever before. At the same time, the cost of drug development continues to rise and, thanks to increased competition and restrictions, average revenue continues to fall.**

**In the face of this turbulent environment, pharmaceutical companies strive to balance pipeline potential with the need to reduce risk. And while uncertainty has always been intrinsic to the business, today's pharmaceutical markets are evolving at such a rapid pace that the need for guidance is unprecedented.**

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Demand research is fundamental to meeting this need. These studies are powerful tools which, when integrated into forecasting models, can help companies avoid large and costly mistakes. However, we often hear of demand research studies that produce misleading results. There are valid reasons why this may occur, which will be explained in this paper, but there are also measures that market researchers and clients can take to improve the quality of these studies.

In this paper, we will outline three essential steps that can increase both the reliability and longevity of demand research results.

# Step 1: Market Representation

When planning a new demand study, a lot of attention is paid to selecting the optimal approach for measuring preference and share – but the same cannot be said for sampling.

Instead, the common practice is for samples to consist of quotas for one or more specialisms, but without considering the specialists' role in prescribing decisions, their interactions with other treaters, or the degree to which they are representative of the market under analysis.

While this practice has its advantages – it is simple and often timeline and budget friendly – the deficiency becomes clearer when viewing the results of the pre-allocation portion of the survey, which will look very different from market actuals as determined from secondary sources such as prescription and unit audits. On the surface, this might seem a minor concern, but, for demand estimation research, a lack of alignment can have serious consequences. Because the current treatment allocation serves as the yardstick for measuring future demand, if the current allocation isn't representative of the market, then the measure of future usage is fundamentally flawed.

In addition to undermining the quality of the share estimates, traditional sampling approaches can limit the depth of analysis. Because the sample isn't designed to differentiate among respondents, differences in product appeal among important market segments can be missed. And while targeting

isn't always a priority until the later stages of product development, identifying who your customers are early on can be critical to evaluating the asset.

On a practical level, better representation doesn't necessarily translate into larger sample sizes and increased costs. A balanced and representative sample is usually achievable within the budget and time constraints of most demand projects.

The key to appropriate representation is an understanding of the market. Target lists and primary and secondary data studies can be used to inform the development of a balanced sampling plan that covers the key subgroups characterizing the market. Before it's finalized, the plan should be reviewed by the cross-functional team to ensure all end user needs are addressed.

While this can involve significant knowledge transfer, it's well worth the effort considering the risks involved in the development and support of new products. Even when little is known about the market, or results are needed very quickly, there is value in reviewing available knowledge to confirm that the study's sample is optimal for assessing the opportunity.



# Step 2: More Informed Share Adjustment

The shares for a future drug, as determined by pharmaceutical demand studies, are almost always inflated. And, while researchers have been aware of share inflation for decades, the ability to accurately address it remains elusive. For this reason, current share adjustment practices are considered a key weakness of demand research.

To better understand why it is so difficult to address share inflation, it's helpful to look upon the sources of share inflation as falling into two general groups: inflation from the survey environment and inflation from respondent overstatement.

## The two sources of share inflation

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Inflation from the Survey Environment

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Inflation from Respondent Overstatement

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### Inflation from the Survey Environment

Since it's not possible to include all factors that contribute to prescribing decisions in an online survey, respondents in demand studies estimate future usage while considering a highly simplified version of the market. As a result, shares for future products don't reflect the impact of many real-world market barriers such as restricted awareness, competitive strategies, and patient willingness to fill. And, although it is possible to measure the impact of some of these barriers within the survey (i.e., access restrictions), most are either unknown or expected to change over time. Therefore, most client organizations find it easier to account for market barriers as part of the forecasting process. For this reason, inflation from the survey environment is usually not considered a significant drawback when evaluating survey-derived share estimates.





## 2

## Inflation from Respondent Overstatement

Respondent overstatement, the second source of share inflation, is dependent on each respondent's thought process. Defined as the difference between claimed and actual behavior, respondent overstatement is more difficult to measure than inflation from the survey environment but, because it can significantly impact the validity of the study, it is equally important to address.

To provide more realistic assessments of share, market researchers offer numerous methods for removing overstatement. These range from straightforward applications of probability scales to complex analyses designed to correlate survey metrics to historical sales data. But because the accuracy of these methods has been uneven, in the eyes of most pharmaceutical forecasters, they lack the reliability required for decision making.

Unfortunately, this assessment is justified. Most share adjustment techniques operate under the assumption that when survey respondents overstate their future prescribing, they do so in a consistent manner. In practical terms, this means that the amount of respondent overstatement from different demand studies should be more or less the same. However, because many pharmaceutical markets are experiencing unprecedented rates of change, the relevance of historically derived overstatement factors is uncertain. Therefore, there is a need to develop share adjustment methods that are drawn from an understanding of real-world behavior and are less reliant on the past.

Behavioral approaches can meet this need. These techniques, which were originally developed to evaluate demand for innovative products, estimate new product adoption and share based on the respondent's current prescribing, the fit of the new product within their practice, and their confidence in the new product's performance. Because they provide insight into how customers think, behavioral share adjustment methods have a growing base of support. However, there is uncertainty associated with all techniques. Therefore, results from behavioral methods should be triangulated with results from other share adjustment methods, analogs, and normative benchmarks to ensure all available information is incorporated into the estimate.



# Step 3: Looking at the bigger picture

Delivering an insightful demand story can be challenging. One reason for this is that physicians are inconsistent in their ability to estimate future usage. For drugs that have very strong or weak clinicals, estimated usage has been shown to be reliable but, for products at parity with available options, share estimates are more likely to be farther afield. Since most demand studies are for drugs falling within this midrange, analyses can be difficult to interpret and attempts to develop well-reasoned findings can end in frustration.

In these situations, it is helpful for researchers to take a step back from clinicals and consider how other market characteristics, such as competitive pressures, unmet need, and patient engagement, can impact demand. Viewing new product potential through this larger lens has several advantages. Because it provides a fresh perspective on the opportunity, it enables the research to uncover relationships that might otherwise have been missed, resulting in more thoughtful and informative findings. Additionally, this clearer view of the new product's position within the market will further understanding and evaluation.



## Conclusion

**By keeping the focus of demand research rooted in the realities of pharmaceutical markets – through more representative sampling, share adjustment techniques that mimic actual decision making, findings that consider multiple perspectives – we can dramatically increase the quality of the insights and the longevity of the results. Of course, the true benefit of following these three essential steps is in our ability to equip the end client, charged with acting on these critical insights, to make more informed and more fruitful decisions.**

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