Building a Compelling Value Proposition

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Meeting Overview

Welcome!

Why Building a Compelling Value Proposition (CVP) is Critical?
Presented by John Farah, Managing Director RTA

Developing a Compelling Value Proposition
Presented by Harris Kaplan, Managing Partner, RTA

Questions & Final Thoughts
Today’s Presenting Faculty

- **Harris Kaplan, Managing Partner, RTA**
  - Harris has 40 years of experience in the life science industry, with clients ranging from large cap public to small cap private companies
  - He has been involved in the development and commercialization of over 100 products (such as Lipitor, Crestor, Viagra, Seroquel, Humira, Vyvanse, Incivek, Kalydeco) and has worked with a variety of early stage compounds
  - Harris is also an advisor to Thomas McNerney, De Novo Ventures, and Frazier Ventures

- **John Farah, Managing Director, RTA**
  - John has 30 years of experience in the life science industry, currently advising clients from early-stage to large cap public companies domestically and abroad
  - Formerly in R&D at G.D. Searle & Co. investigating CNS and inflammatory disorders (Celebrex) and Cephalon, Inc. (now Teva) as VP of international operations in business development, partnering & support of the products: Abelcet, Actiq, Gabitril, Fentora, Myocet, Nuvigil, Provigil, Treanda & Trisenox
  - John is an independent director of Aeolus Pharmaceuticals, formerly on the board of GenSpera where he continues to advise the CEO, and was treasurer of Cephalon’s political action committee
Meeting Objectives

- To define what a Compelling Value Proposition (CVP) is
- To highlight why a CVP is needed today and when a CVP should be created
- To provide the strategic framework required to create a CVP
- To outline a process to develop a CVP

Discussion and Questions

Enjoy the Journey!
<table>
<thead>
<tr>
<th>A Strategic, Life Sciences Consultancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Deep industry and client side experience</td>
</tr>
<tr>
<td>▪ Broad situational experience</td>
</tr>
<tr>
<td>▪ Unbiased thinking</td>
</tr>
<tr>
<td>▪ Identification of value and business drivers</td>
</tr>
<tr>
<td>▪ Actionable Strategies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Our Philosophy</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Understand</td>
</tr>
<tr>
<td>▪ Anticipate</td>
</tr>
<tr>
<td>▪ Adapt</td>
</tr>
<tr>
<td>▪ Avoid future surprises</td>
</tr>
<tr>
<td>▪ Act with confidence</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Situations for Engaging Red Team Associates</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ When there’s a lot of money at stake</td>
</tr>
<tr>
<td>▪ When the decision(s) are hard to undo</td>
</tr>
<tr>
<td>▪ When you need to decide quickly</td>
</tr>
<tr>
<td>▪ When there are multiple potential options</td>
</tr>
<tr>
<td>Client Situation</td>
</tr>
<tr>
<td>------------------------------------------------------</td>
</tr>
</tbody>
</table>
| No commercial team                                   | • Indication prioritization  
• Commercial opportunity assessment  
• Product Positioning, build commercial story for pitch deck  
• Initial forecast  |
|                                                      |                                                      |
| Don’t want to divert the commercial team             | • Due diligence  
• Business development  
• Development of go-to-market strategy  |
|                                                      |                                                      |
| Want a second point of view                          | • Re-affirm forecast and opportunity  
• Develop alternative go-to-market strategy  
• Targeting, positioning, messaging and pricing  |
|                                                      |                                                      |
| Knowledge/expertise gap (new category)                | • Opportunity assessment  
• Forecast  
• Valuation  
• Go-to market strategy development  |
|                                                      |                                                      |
| Underperforming brand                                | • 360° assessment of situation  
• Value driver analysis  
• Refine or rework existing tactical execution plan  |
Why Building a Compelling Value Proposition is Critical?
Goal: Help you to create a commercial value proposition that will drive clinical decisions, investor interest and a higher valuation.
Many companies are unprepared to demonstrate their worth in earlier stages of development...

There is a need to demonstrate a product’s value earlier in development

Shifting focus to early stage assets …

<table>
<thead>
<tr>
<th>Unit of Measure</th>
<th>2013 Q1</th>
<th>2014 Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Stage</td>
<td>450</td>
<td>675</td>
</tr>
<tr>
<td>Late Stage</td>
<td>837</td>
<td>1,096</td>
</tr>
</tbody>
</table>

...where investors are just as critical

For our early-stage investments, we don’t just conduct scientific diligence — we also spend a lot of time talking to business development and commercial teams from pharmaceutical companies to ascertain whether a new product will matter to them.

Ed Mathers  
Partner, NEA

...biotech companies we encounter in deal discussions have not spent time thinking about the competitive landscape and are unprepared to differentiate their pipeline products.

Brian Edelman  
Eli Lilly and Company

Source: PWC Moneytree™ Report; RTA analysis
A Compelling Valuation Results in Earlier Deals and Higher Valuations

Building the Commercial Value Proposition (the earlier the better)

Clarity of Compelling Value Proposition

Investor/Licensor Risk

Valuation

High

Low

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A compelling value proposition is the foundation for a credible forecast… That is the basis on which investment and licensing occurs

- Key clinical decisions are often made prior to Phase III

- Phase III clinical decisions impact the value proposition

- Smaller companies rarely have a commercial person as part of their team to help formulate a compelling value proposition
Over 50% of peak sales forecasts for new products are off by more than 40%

Inaccuracy is the norm\(^1\)

- Two years pre-launch forecasts are off by an average of 71%
- Even 6 years post launch, forecasts are off by an average of 45%
- Cardiology and CNS are most frequently overestimated
- Oncology is most frequently underestimated
- Large life science organizations produce significantly better forecast estimates than small companies

Current forecasting practices\(^2\)

- Overestimates of KOL feedback as a predictor of future success
- Underestimating the influence of payers
- Overestimate the willingness of physicians to challenge payers
- Overestimating the number and speed with which practicing physicians will adopt new products
- Overestimating patient influence in driving physician behavior

New Reality: “You Live With What You Launch With”

- New to Brand Rx change post inflection averages ±25% up to 104 weeks post inflection

- Launch trajectories in the US

- Launch inflection at week 14 (90% of brands inflect between week 7 and 26)

- ~150 US launches (2004 – 2012), patient acquisition uptake inflects on average 14 weeks post launch
  - New indication and data will change the level of patient acquisition
  - Marketing events (DTC) can provide a change in patient acquisition
  - Managed care wins expands the pool of potential patients

Source: IMS Health. “Launch Excellence study”

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A compelling product value proposition is key to driving product value

Examples of Compelling Value Proposition Key Elements

- Which patients?
- Which HCPs?
- How often?
- How long?
- At what price?
- Adoption barriers?
- SG&A?
- NPV?

Valuation Drivers

- Proof of Concept
- Approval
- Reimbursement

Evolving Valuation Concerns

Utilization
How a Life Sciences Organization Approaches Building a Compelling Value Proposition?
Three key concepts for creating a great value proposition for our customers

- Commercial development happens in parallel with clinical development
  Many features and benefits get locked in early in the development cycle

- Aligning the value proposition for a diverse set of customers

- Translating data/features into rational and emotional benefits
Product Development in Biotech – Commercial Development in parallel with Clinical Development

- **Product discovery**
  - Product concept, scientific finding
  - Develop plan/decision

- **Early-stage development**
  - Safety assessment
  - Phase II design
  - Proof of concept

- **Late-stage development**
  - Phase III design
  - Health economics

- **Approval**
  - Draft labeling
  - Label negotiation

- **Uptake**
  - Access educational needs
  - Access market readiness

- **Access**
  - Secure product positioning
  - Ensure access

- **Guidelines**
  - Ensure appropriate diagnosis and treatment assessment

- **Opportunity Assessment**
  - Market opportunity
  - Product/customer needs

This Product is ideal to satisfy my needs!
Many key value drivers get locked in early!

Value Drivers

- Route of admin
- Indications
- Toxicology
- Pharmacology

- Dosing/Schedule
- Safety needs

- Diagnostic St.
- Relev. Endpoints
- Early Approval

- Label Claims
- HECON
- Final Package
Three key concepts for creating a great value proposition for our customers

- Commercial development happens in parallel with clinical development
- Aligning the value proposition for a diverse set of customers
  Incorporate understanding all customers and their motivations in development
- Translating data/features into rational and emotional benefits
The unique diverse set of customers in the healthcare field requires a broad understanding of customer needs and drivers.

- Physician
  - Diagnosis/Treatment decision
- Family
- Patient
  - User
- Gov’t/Managed Care
  - Payer
- Employer
  - CVP
What is value for our diverse customers?

- Value = \( \frac{\text{Benefit}}{\text{Cost/Effort}} \)

- The customer is the final judge of value

- Different value types can influence customers
  - Absolute value
  - Relative value
  - Perceived value

- Customer definition of value is dynamic and modifiable
Aligning elements of the value proposition to create a simpler message

**Physicians:**
- Help their patients
- Want measurable success
- Run a business
- Aim for the cure

**Patients:**
- Want to be cured
- Want convenience
- Don’t want side effects
- Care about out of pocket cost
- Are not necessarily compliant

**Payers:**
- Affordable healthcare
- Focused on outcome
- Lose customer in 2 years
- Can’t lose money
Three key concepts for creating a great value proposition for our customers

- Commercial development happens in parallel with clinical development
- Aligning the value proposition for a diverse set of customers
- Translating data/features into rational and emotional benefits

Features don’t matter unless we can articulate their benefit meaningfully
Break through the perception that often exists among internal stakeholders

- Educate scientists about intention of commercial thinking and value proposition
- Focus on the customer needs and translate the science into meaningful customer benefits

Science view of Commercial
- Often don’t understand the science/technology
- Don’t realize how important this science is
- Are willing to “tweak the data”
- Are forecasters
- Are all about the money

Commercial Intent
- Be the voice of the customer
- Understand market insights and dynamics
- Articulate market tensions
- Understand customer motivations
- Affect behavioral changes
- Translate features into benefits
Building a Compelling Product Value Proposition
Reality: Shift Happens!!

“Sir, the following paradigm shifts occurred while you were out.”

© 1905 The New Yorker Collection from cartoonbank.com. All Rights Reserved.
Product Uptake: Where Reality Meets Reimbursement and the New Fin’l Standard
Affordable Care Act: It’s the Law; It’s Popular; It’s Likely to Stay
As with any new law, there are good and bad consequences for products mfrs.

**The Good**
- More people insured
- More uninsured treated
- Strong Demand for Better Products
- Willingness to pay premium for products that clearly demonstrate value
As with any new law, there’s good and bad consequences for products mfrs.

The Good

- More people insured
- More uninsured treated
- Strong Demand for Better Products
- Willingness to pay premium for products that clearly demonstrate value

The Bad

- Consolidation of Hospitals, Insurers
- 50% of Physicians Becoming Employees and Increasing Economic Buyers Playing Much Larger Role
- Double digit premium increases to employers, consumers
- More consumers in HDHP
Regulatory Approval and Reimbursement are the Ante, not the Endgame
In today’s world of social media and access to information, Product Awareness Often Precedes Launch

<table>
<thead>
<tr>
<th>Example Value Drivers</th>
<th>High Freq. of Stimulus</th>
<th>Good First impression</th>
<th>High Rx Potential</th>
<th>Good Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Patient</strong></td>
<td>Disease awareness</td>
<td>Phase 2 &amp; 3 clinical trial results</td>
<td>Referral to or managed by “Treaters”</td>
<td>Efficacy</td>
</tr>
<tr>
<td></td>
<td>Patient group support</td>
<td>KOL opinions</td>
<td>Out-of-pocket cost</td>
<td>Ease of obtaining drugs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Accepted by insurance</td>
<td>Drug adherence</td>
</tr>
<tr>
<td><strong>Physician</strong></td>
<td>Conference</td>
<td>Clinical trial experience</td>
<td>Awareness</td>
<td>Efficacy</td>
</tr>
<tr>
<td></td>
<td>Professional orgs.</td>
<td>Peer reviews</td>
<td>Conference</td>
<td>Patient satisfaction</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>On patient formulary</td>
<td></td>
</tr>
<tr>
<td><strong>Payer</strong></td>
<td>Conference</td>
<td>Clinical trial data</td>
<td>Contracting options</td>
<td>Cost-effectiveness of product</td>
</tr>
<tr>
<td></td>
<td>Early active discussion</td>
<td>HEOR data</td>
<td>Cost-savings</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Justified pricing</td>
<td></td>
<td></td>
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</tbody>
</table>

SOURCE: Based on Google’s New Marketing Strategy; Duct Tape Marketing; RTA analysis
…Fundamentally Changing Product Development and Marketing

- Procedure Volume
- Product Choice
- Sales Process
Here’s an Example of How the New World of Healthcare Works

Express Scripts' 2016 formulary: Who's in, who's out, & how did they decide?

- Express Scripts appoints independent physicians to review clinical data and determine the most clinically and cost-effective options within a given therapeutic category.

- The physician-determined evidence base drives formulary decisions, including who's in this year, and who's out.

- The takeaway from Express Scripts' 2016 formulary decisions: "The future is now."

- One unexpected byproduct of this is the shifting relationship between pharma and PBMs. There is a reinvigorated relationship between Express Scripts and the pharma companies to agree as to what constitutes meaningful data.
Bottom Line: The US is Looking Increasingly Like the EU
What is A Value Proposition?

A value proposition is a short statement that clearly communicates the benefits your potential customer(s) gets by using your product, service, or idea.

A value proposition is usually developed for each stakeholder based on perceptions of the benefits and costs (including both economic and social risk).

- Comprehensive
- Credible
- Clear
- Customer-centric
- Creative
- Convincing
The New Commercial Challenge: Is the Value Proposition Sufficiently Compelling?

- Providers increasingly aligned with payers
- Big Data = Big Brother
- Physician endorsement: harder to get
- Analogue ≠ Prologue

- Demand for unique products will likely grow
- Different product categories will face different challenges
- New approaches and business models required to succeed
The goal is to make the value proposition succinct, clear, and supported

Five proven value propositions:

► more for more

► more for the same

► the same for less

► less for much less

► less for less
Creating a Compelling Value Proposition is a Four Part Process

1. Understand the Value Stream
2. Start Early
3. Know Your Customers
4. Assess & Align Your Product Objectively

Target Product Profile
Understand the Value Stream --- Know How Your Product Creates Value

Your New Product

Customer Input

Clinical Trial Design

FDA Approval

Does the physician support use?

Yes

Does the plan support / reimburse use?

Yes

Will the Patient Pay Their Share?

Yes

Is the patient willing to pay O-O-P

Yes

NO

NO
The Patient Flow Experience is the Fulcrum for the Value Stream

**Population Targets**

**Undiagnosed (1.85MM)**

- Current Ineligible (51%)

**Naïve (390K)**

- Treatment Ready (13%)
- Actively Waiting (5%)

**Previously Treated (260K)**

- NR/Relapsers Motivated (35%)

**Patient Journey**

- **Drive To Test**
  - PCP
    - No Screen
      - Hold
    - Screen
      - Refer
  - Treat
    - Diagnosis

- **Naïve (390K)**
  - Decision
    - Never Treat
      - Treat/Re-Treat
    - Hold

- **Naïve (390K)**
  - BVR
    - No Tx
      - Discontinue Tx
    - Complete Tx
  - TVR
    - Obtain Tx
  - SOC
    - Not Cure
    - Cure

**Commercial Goals**

- Undiagnosed (1.85MM)
  - Naïve (390K)
    - Previously Treated (260K)
Start Early---A Compelling Value Proposition is Built Well Before Launch

- Key clinical decisions are often made prior to Phase III
- Phase III clinical decisions impact the value proposition
- Smaller companies rarely have a commercial person as part of their team to help formulate a compelling value proposition

Decisions made early drive future market share

Clinical decision flexibility

Building the Commercial Value Proposition (the earlier the better)
Physicians are Balancing Many Things---Over 50% Are Employees and the Number is Growing

- Desire to Serve Patients
- Income Pressure
- Plan Demands
- Your Product
KOL’s Increasingly Do Not Represent the Mainstream Physician

The Physician Treatment Landscape

Severity Of Patients

H

KOL

Few

# of relevant Patients

Many

Primary Care

Specialist
The Adoption Process for New Products Reflects These Differences

SOURCE: Crossing the Chasm, Geoffrey Moore, 1991
What Physicians Want Now: Efficacy, Risk, and Reward Commensurate with the Condition

Drivers vs Deterrents of Product Use

**Deterrents**
- No Cost-Benefit analysis
- Potential safety concerns
- Non-reversible side effects
- Lack of quality clinical data
- Poor product availability
- Reimbursement issues
- More complex or difficult to use
- Takes longer to use
- Difficult to communicate
- Negative impact on income

**Drivers**
- Solid clinical data
- Improves QALY
- Reduces signs & symptoms
- Easier to use
- Faster to use
- Easy to communicate
- Easily reimbursed
- Positive impact on income
- Positive patient feedback

“One ‘oh_______!’ wipes out a thousand positive experiences!”
The Perspective of the Payer

- **Goal:** manage costs and returns without compromising patient outcomes

- **Facing increasing pressure to control costs**

- **Greater investment in systems and infrastructure provides greater insight into what is working – and a greater ability to influence physician behavior**

- **Continue to offload expense and risk onto the consumer to reduce premiums, control utilization, and manage cost**
Payers Decide the Level of Access for Products

**Key Questions**

- How significant an improvement relative to current therapies?
- How important is that improvement?
- How clearly has that improvement been documented?
- Is there an economic benefit? To who? When?
- What is the probability that the economic benefit will be realized?
- How many people are affected by the disease or condition?
- What will be the incremental cost to the plan?

**Key Decisions**

- Will the Product be on the Formulary?
- What type of co-pay or OOP should be collected?
- Is there risk to be shared with the Hospital or Physician?
- What Level of Access will be allowed?
- Will Prior Authorization be required?
- For what period of time will the product be on the Formulary?

**New Product**

No Access | Payer and Majority Physician perspective | Marketer and KOL perspective | Unrestricted Access
2/3 of hospitals expect Physicians to be financially incented to follow care pathways

“Physicians who ‘get it’...will typically make more...than the ones who don’t”

PBM Manager of Credentialing and Contracting

Study: New Cancer Care Payment Model Reduced Health Care Costs, Maintained Outcomes

- Journal of Oncology Practice publishes results of UnitedHealthcare pilot of new cancer care payment model that rewards quality, not quantity, achieving lower costs while maintaining excellent patient care

MINNETONKA, Minn. (Jul. 08, 2014) — A new cancer care payment model that rewards physicians for focusing on best treatment practices and health outcomes rather than the number of drugs they prescribe
Conclusion: “He Who Has the Gold Makes the Rules”
As more Healthcare Costs are passed to Consumers, more Care will be Deferred

*Doyle Lewis and his son Ryan of Minneapolis. The family has held off medical spending because of their high deductible health insurance plan.*
Insurers Win Big Health Rate Increases

Some state regulators say new costs justify hefty increases under the Affordable Care Act
“Bronze-level” plans have an average deductible of $5,181 for individuals, up from $5,081 in 2014 (report from Health Pocket).

Bronze plans generally cover 60% of consumers’ medical expenses; silver plans cover 70%.

One in three Americans said they or a family member delayed medical care because of costs in 2014, according to a report last month by survey company Gallup. That is the highest percentage since Gallup began asking the question in 2001.

Since 2009, the average deductible for workers who get employer health coverage has shot up 47% to $1,217 from $826, according to a September survey by the Kaiser Family Foundation and the Health Research & Educational Trust.

WSJ, Dec 3, 2014
What Matters to Patients is Living Longer; Better QOL

Patient Value Drivers

Secondary Value Drivers
(Improved QoL, Physician Recommendation, Co-Pay...)

Primary Value Drivers
(Including Safety, Dosing, Symptom Relief, Life Extending,...)

Market Maturity
Conclusion: The Healthcare System is interconnected —understanding these is key to being successful in the future
## Value Proposition Worksheet for Assessing Your New Product

<table>
<thead>
<tr>
<th>Customers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For …</td>
<td>Target customer</td>
</tr>
<tr>
<td>…who…</td>
<td>State of need or opportunity</td>
</tr>
<tr>
<td>…this product is …</td>
<td>Product/service category</td>
</tr>
<tr>
<td>…that</td>
<td>Statement of benefit</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Positioning</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlike…</td>
<td>Primary competitive alternative</td>
</tr>
<tr>
<td>…the current drug</td>
<td>State of primary differentiator</td>
</tr>
<tr>
<td>…because of</td>
<td>Proof that benefits can be delivered</td>
</tr>
</tbody>
</table>
# Product Utilization Threshold: Assess Whether Your Product Will Be Used and How Quickly

<table>
<thead>
<tr>
<th>Adoption Drivers</th>
<th>Physician</th>
<th>Managed Care</th>
<th>Patient/Caregiver</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative Advantages</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>Relative Communicability</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>Relative Compatibility</td>
<td>(-)</td>
<td>0</td>
<td>+</td>
<td>0</td>
</tr>
<tr>
<td>Relative Length of Time</td>
<td>(--</td>
<td>0</td>
<td>0</td>
<td>(-)</td>
</tr>
<tr>
<td>Relative Tryability</td>
<td>0</td>
<td>0</td>
<td>+</td>
<td>(+)</td>
</tr>
<tr>
<td>Relative Initial Cost</td>
<td>(--</td>
<td>(-)</td>
<td>(-)</td>
<td>(--</td>
</tr>
<tr>
<td>Relative Ongoing Cost</td>
<td>(--</td>
<td>(-)</td>
<td>(-)</td>
<td>--</td>
</tr>
<tr>
<td>Relative Financial Impact</td>
<td>0</td>
<td>(-)</td>
<td>N.M.</td>
<td>(-)</td>
</tr>
<tr>
<td>Overall Assessment</td>
<td>(--</td>
<td>(-)</td>
<td>++</td>
<td>(- / --)</td>
</tr>
</tbody>
</table>

**Scale:** ++ Much Better Than; + Somewhat Better Than; 0 Equal; (-) Somewhat Worse Than; (--) Significantly Worse Than
In Conclusion: A Compelling Value Proposition needs to be at the Center of Product Development and Marketing

- Clinical Trials
- Diagnose
- Deliver
- Demonstrate

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Financial Expectations, Positioning, and Rate of Adoption are Driven by Advantages and Degree of Behavior Change Required

Strategy Map: The More Behavior Change the Slower the Adoption

- **Disrupt**
  - High Product Advantages
  - High Required Behavior Change

- **Differentiate**
  - High Product Advantages
  - Low Required Behavior Change

- **Don’t**
  - Low Product Advantages
  - High Required Behavior Change

- **Discount**
  - Low Product Advantages
  - Low Required Behavior Change

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Two Examples
Physicians and Patients View Type 2 Diabetes Differently

--- Hence What They Want in a Drug Differs

### Physicians

<table>
<thead>
<tr>
<th>Treatment Benefits</th>
<th>Relative Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on Mortality</td>
<td>231</td>
</tr>
<tr>
<td>Ability to Halt Disease Prog.</td>
<td>212</td>
</tr>
<tr>
<td>Lowering HbA1c Blood Levels</td>
<td>183</td>
</tr>
<tr>
<td>% Pat. to HbA1c Goals</td>
<td>173</td>
</tr>
<tr>
<td>Cardio-protective Effects</td>
<td>170</td>
</tr>
<tr>
<td>Long-Term Glucose Control</td>
<td>164</td>
</tr>
<tr>
<td>Reduce risk of CV Events</td>
<td>163</td>
</tr>
<tr>
<td>↓ Postprandial Blood Glucose</td>
<td>137</td>
</tr>
</tbody>
</table>

### Patients

<table>
<thead>
<tr>
<th>Treatment Benefits</th>
<th>Relative Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabet. Related Vision Problems</td>
<td>190</td>
</tr>
<tr>
<td>Concern that Diabet. Getting Worse</td>
<td>166</td>
</tr>
<tr>
<td>Lowering HbA1c Levels</td>
<td>165</td>
</tr>
<tr>
<td>Likelihood of Having a Heart Attack</td>
<td>147</td>
</tr>
<tr>
<td>Diet Restrictions</td>
<td>141</td>
</tr>
<tr>
<td>Diabetic-Related Problems</td>
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<td>Weight Change</td>
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</tbody>
</table>

Source: Red Team Analysis
To Patients: Co-Payments Really Matter

- Even in Symptomatic, Potentially Life Threatening Conditions Like Type 2 Diabetes

<table>
<thead>
<tr>
<th>Treatment Benefit</th>
<th>Benefit Importance w.o Co-Payment</th>
<th>Relative Importance To Patients</th>
</tr>
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Source: Red Team Analysis
In AFIB: Patients Want to Live Long and Live Well

Relative Importance to AFIB Patients

- Heart Pounding
- Heartbeat Skipping
- Lack of energy
- Irregular Heartbeat
- Shortness of Breath
- Reduced Anxiety
- Reduced Pain
- Ability to do Everyday Tasks

Source: Red Team Analysis
Willingness of AFIB Patients to Pay $40 O-O-P

Relative Willingness of Patients to Pay $40

- Heart Pounding
- Heartbeat Skipping
- Lack of energy
- Irregular Heartbeat
- QD Dosing
- Drug Delivery
- Lack of energy
- Reduced Anxiety

Source: Red Team Analysis
Greater Requirements to Get Patients to Pay $65 O-O-P

Relative Willingness of Patients to Pay $65

- Heart Pounding
- Heartbeat Skipping
- Lack of energy
- Irregular Heartbeat
- QD Dosing
- Drug Delivery
- Lack of energy
- Reduced Anxiety

Out of Pocket Costs

Source: Red Team Analysis
Specific Endpoints Required…

Relative Willingness of Patients to Pay $65

- Heart Pounding
  - QD
  - Q. Weekly
  - Q. Monthly

- Heartbeat Skipping
  - QD
  - Q. Weekly
  - Q. Monthly

- Lack of energy

- Irregular Heartbeat

- QD Dosing

- Drug Delivery

- Lack of energy

- Reduced Anxiety

Out of Pocket Costs

$10 $20 $30 $40 $50 $60 $70 $80 $90

Source: Red Team Analysis
Summary: To Drive Product Uptake---- Endpoints Drive Endgame, and Building a Compelling Value Proposition Early is Critical

• The Deck is Being Stacked Against Non-Disruptive Products!

• Payer Consolidation; Physician Practices; Hospitals!

• Endpoints Drive Endgame!

• Customer Input is Critical ----- Early!

• There are No Do-Over’s Post Launch!
“The consumer isn’t a moron, they’re your wife, your parents, your children, your siblings..” David Ogilvie
Putting it all together: two out of three does not cut it!

Components Of Strong Value Propositions

- **Resonate**
  - "I want"
  - "I need"

- **Differentiate**
  - "Best option"

- **Substantiate**
  - Great clinicals
  - Minimal AE’s

CVP is Foundation For...

- Premium Pricing
- High interest/awareness/trial
- Potential brand loyalty

Take One Away

- **Weak Resonance**
  - Difficult to Substitute

- **Strong Resonance**
  - Easy to Substitute

What Customers Say

- "I don’t need this right now"
- "My next patient with these symptoms, I’ll try it"
- "What’s your best price?"
- "How does this differ from the product from Company X?"
- "This clinical data is vs placebo"
- "There’s no proof that this therapy delivers superior outcomes"

Strong Resonance

Able to Substitute

Not able to Substantiate

Minimal AE’s

Premium Pricing

High interest/awareness/trial

Potential brand loyalty

RTA

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Don’t forget the softer side of marketing your new asset --- it can be a key component of creating compelling value
A CVP needs to be relevant, believable, and unique to your customers…while facilitating action

- **Relevant to all customers**
  - Physicians
  - Payers
  - Patients
  - Others (caregivers, employers, etc.)

- **Believable**
  - Clinical data
  - HEOR
  - PRO

- **Uniquely positions the product**
  - vs. Future Competition
  - vs. Future Standard of Care

- **Strong Call to Action**
  - Patient to physician
  - Pen to Prescription
  - Prescription to Fill
  - Adherence to Renewal
Building a Compelling Value Proposition

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