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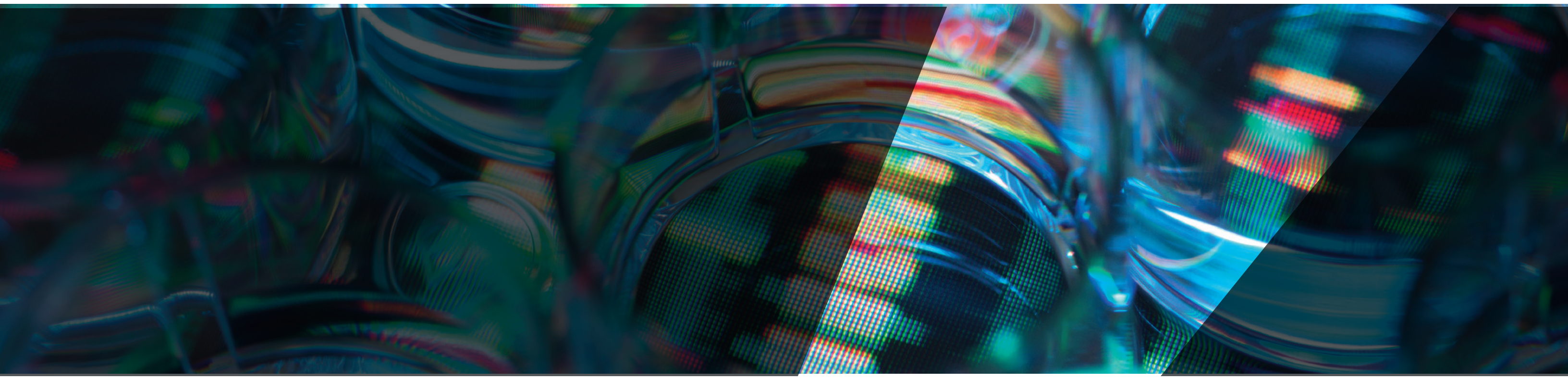

GLOBAL MEDTECH COMPANY SEEKS TURNAROUND PATH FOR ACQUIRED PRODUCT

CHALLENGE

Two years after buying a new technology from a small company, a global company found itself in a conundrum. Sales flattened, then actually declined, for what was at acquisition a fast-growing therapy for an age-related, highly prevalent disease. Two leadership factions had emerged post-acquisition — those who felt passionately about the technology and its promise, and those who dispassionately stared down the quickly shrinking potential return on investment (ROI).

What happened? Would buying its only competitor reverse the trend, or double the risk? More important, could answering these questions help realign the fractured leadership team?

Navigant conducted a strategic market assessment to investigate the product's market circumstance, recommend an action plan, and build organizational consensus.

SOLUTION

As part of the rigorous research and analysis process, Navigant clarified the market size, attractiveness, and best potential commercialization strategy. In the process, several significant — and unfortunately costly — obstacles to market growth were uncovered.

Navigant created an epidemiologic model to determine the number of annual patients eligible for this treatment option. Research found that a whopping 90% of patients were excluded due to clinical characteristics, disease pathology, or comorbidities. Furthermore, rather than looking at the market lens solely through disease prevalence, which is the lens often used by pharmaceutical therapies where patients take drugs over a period of time, Navigant created a disease model to estimate disease incidence, which is a more accurate denominator for most medical technologies where patients only receive a treatment one time. Given that incidence is almost always smaller than prevalence, the market denominator was an order of magnitude smaller than the company's original forecast based on prevalence estimates alone.

In addition, several significant barriers to market adoption existed. Specifically, initial clinical trial results were mediocre, identification of good candidates was highly complex, and procedure outcomes varied across physicians. Furthermore, 80% of eligible patients were not presenting to the specialty physicians who could refer or actually use the technology.

So, what had caused the early revenue trajectory that plateaued and declined after the acquisition? Essentially, a small subset of innovative physicians drove the early trajectory. However, they rapidly exhausted the prevalence pool of good candidates in their own practices and, subsequently, were now limited by the incidence of new eligible patients into their practice.

This came on top of a growing market perception that a competitive technology was superior, thanks to a recently released clinical study. The competitor's single-arm study focused only on a narrow set of patients, which helped bolster its findings. The study enhanced perception and drove market preference for the competitor's technology.

If the corporation acquired that sole competitor, both technologies still faced a difficult path to wide adoption. Ideal patients for both products were found to rely on primary care providers, and not the associated specialists who could deliver these new treatment options.

Navigant designed a series of strategies to address all these critical market barriers.

1. Follow-up trials would need to be performed on an enriched subset of compelling patients to boost response rates.
2. A new clinical condition with a new standardized definition and clear supporting evidence would need to be established to raise market awareness and acceptance of this unique technology-indicated patient group.
3. The development of new tools, protocols, and software would be needed to simplify and standardize each step of the procedure, from imaging to implantation, to optimize outcomes.

Navigant modeled several forecast scenarios, ranging from $10 million to $90 million in strategic investments allocated over several years. Revenue models illustrated how growth could be accelerated over 5-10 years with these targeted market development investments that would resolve key market barriers. This could ultimately yield a favorable ROI and an annual revenue exceeding $150 million. However, if the critical clinical and technical barriers were not addressed, adoption would remain stagnant, and the business revenue would remain flat.

RESULT

Navigant shared the findings with the global corporation's leadership team. Yes, a long-term solution existed for the global company to address the barriers to adoption and strengthen the technology's market performance. And, yes, the ideal patient pool could yield a profitable business. However, the yield would be much smaller than initially anticipated.

The senior leadership team found consensus and dropped the notion of acquiring the competing technology, as this would double the market risk given the significant infrastructure barriers facing both technologies. Aligned, the team determined to reset growth expectations internally, and capture what remained a strong opportunity, albeit much smaller than preacquisition expectations. They realigned the company's strategic plan to include the recommended market development investments, overcome the most significant market barriers, and accelerate adoption within the broader market.

Soon thereafter, as the leadership team considered another acquisition opportunity, they enlisted Navigant to uncover its realizable market potential before committing to the purchase.

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About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant's professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage, and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the firm primarily serves clients in the healthcare, energy, and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant's practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at navigant.com.

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