

# Do You Really Know How Your Market Works?

The importance of understanding Market Structure



**Peter Smith**

Senior Vice President,  
Commercial Consulting

Peter has spent over 30 years in the pharmaceutical industry and has extensive brand strategy experience. Peter's most recent industry role was at Pfizer, where he was responsible for their cardiovascular portfolio in Europe.

In the first of a series of Lumanity papers that address important aspects of strategic planning, Peter Smith discusses the importance of understanding Market Structure.

Market Structure, sometimes referred to as **Market Cascade** or **Driver Tree**, is the subdivision of a market into groups of patients in whom the drivers of treatment choice are different. It is the foundation of asset, brand, and portfolio strategy but despite this it is not always done well and sometimes is not undertaken at all.



**What is a Market Structure?**

There is probably no therapeutic area in which all patients receive the same treatments at the same dose, at the same point in the course of their disease, and in the same sequence. We know that the choice of interventions differs between patients dependent on wide-ranging factors for example, patient needs, behaviors and preferences, disease and health status, prescriber attitude, treatment availability, cost considerations and many others.

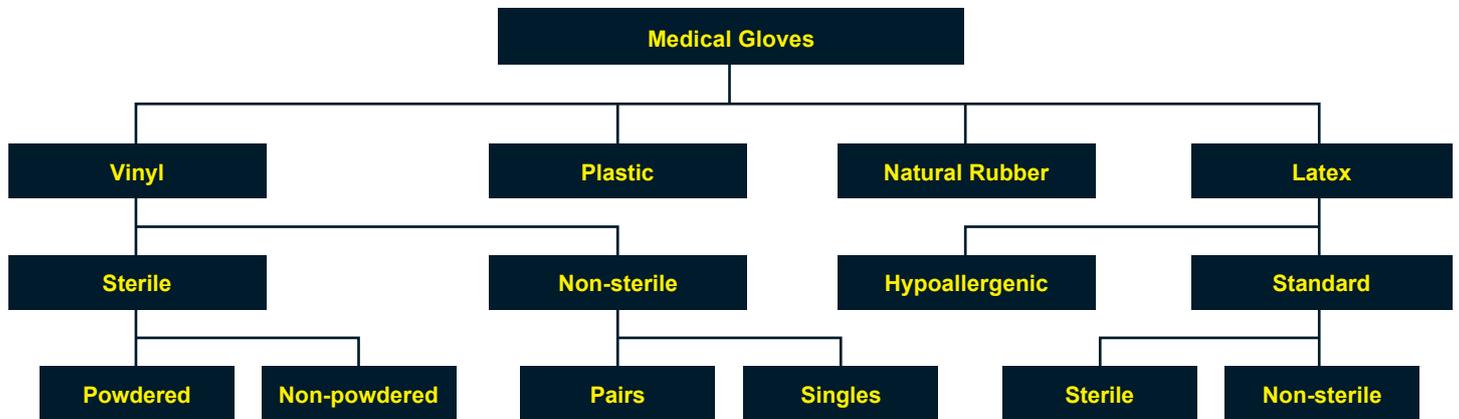
A Market Structure is an analytical tool and visual map that shows where treatment approaches differ between groups of patients, how many fall into each group, and importantly why these treatment differences occur.

## What is a Market Structure? (continued)

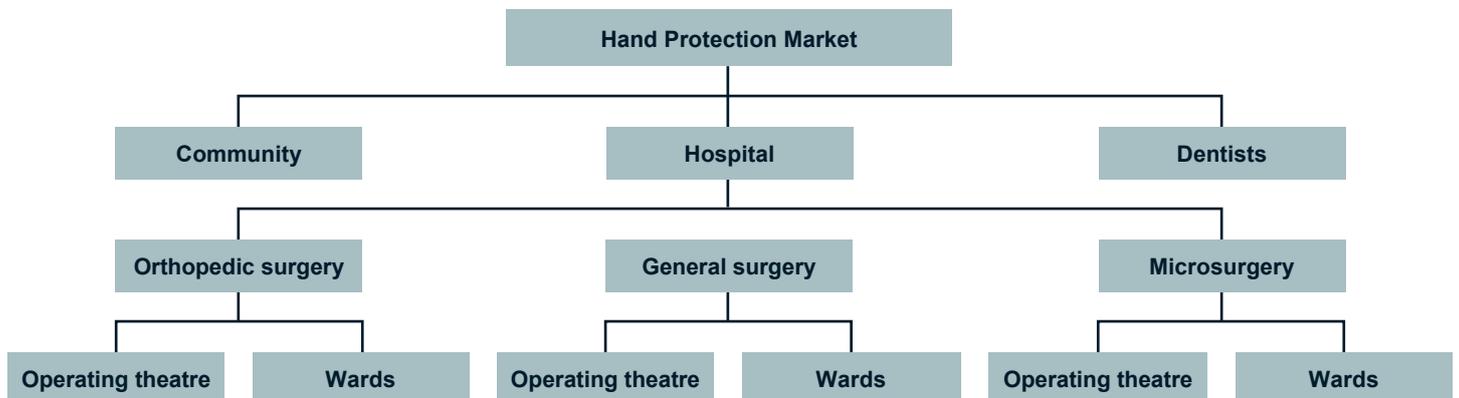
Let's take a simplified, non-pharma and completely hypothetical market for illustration - *medical gloves*.

The example below appears to be a logical classification of the market, but it is simply describing what gloves are available. It doesn't offer any insight as to where

different types of gloves are used and why. This would be akin to saying the asthma market is divided into beta-agonists, inhaled steroids etc.- technically correct but it wouldn't help us understand why certain treatments are preferred for certain types of patients.



Now consider an alternative view of the same market.



This version describes stakeholders with different needs. For example, surgeons working in orthopedic surgery will have different requirements for gloves than those working in microsurgery where greater precision and dexterity is needed.

This Market Structure helps us to identify segments - groups of stakeholders with common needs - which we may decide to target based on the profile of our own company's medical gloves.

Of course, the pharma Market Structures that we deal with are invariably more complex, but the question they seek to address is the same - why are certain products used in certain situations and how frequently do these situations occur?

## Why is a Market Structure so useful?

A single asset is rarely used in all patient types and stages of disease. The regulatory label defines the total accessible patient population but unless that population is very narrow the product will vary in its ability to meet the needs of different patient types within it, and will do so better, or worse, than the existing standard of care or other competitors. Focusing on specific segments can therefore help drive competitive advantage and product adoption. It also enables focusing of resources and consequently higher efficiency and/or impact.

Understanding which segments to target starts with insight into why certain patient segments exist, and the factors that drive treatment choice in each case – most notably patient needs, but also consideration of other stakeholder requirements such as practical and logistical issues for prescribers, cost constraints for payers.

With an understanding of what segments exist, one can then assess the relative attractiveness of each segment based on the size of the opportunity (e.g. patient volume, growth, pricing, clarity of patient definition) and the ability to access it (product profile including superiority versus

competitors, company capability to win, etc.) Targeting strategy, including sequencing over time, positioning and other elements of strategy can then be developed.

A best practice approach to segmentation will be the subject of the next in our strategic planning series.

*An understanding of Market Structure is particularly important when developing positioning for a portfolio of assets – alignment of strategy across more than one brand team can only be achieved through a shared understanding of one Market Structure.*

Finally, a well defined Market Structure will also highlight attractive segments that cannot currently be accessed; it can therefore inform longer term strategy including evidence generation.

So, a detailed understanding of Market Structure – how the market really works and why – is a basic requirement for the success of any drug or portfolio. So why is it not always done well?



## Common problems developing an effective Market Structure

### 1. Reliance on assumption rather than insight

With increasing experience of a market there can be increasing reliance on accepted wisdom with erroneous assumptions, for example, concerning segment needs and prescriber attitudes – these can often be passed on to new team members without challenge or new market insights.

### 2. Unconscious bias

Inventing or overstating drivers of treatment choice in order to match existing product attributes is a common error – for example, incorrectly imagining that the Market Structure reflects the importance of adherence when attempting to commercialize a drug with a more convenient treatment regimen. The Market Structure must reflect the way the customer sees the world, not how we wish it to be.

### 3. Classifying treatments

Representing what treatments are used – simply characterizing a patient segment for example as ‘high dose generic statin’ without understanding the treatment drivers that led to this intervention being preferred.

### 4. Lack of cross-functional alignment

It is vital to invest time in achieving agreement of the Market Structure across the team. Failure to do so inevitably leads to downstream problems with targeting and positioning choices constantly being revisited.

### 5. Quantification

Understanding the relative size of segments is pivotal to understanding the opportunity – even the most thoughtful targeting strategy won't be helpful if it focuses on segments that are too small to be commercially viable. That said, it is important not to get bogged down in trying to find epidemiological data that does not exist – educated estimates will often need to be made.



# How do we get where we need to be?

01



## Define the market

It is important to start with what the product does (e.g. prevent stroke) rather than what it is (e.g. ACE inhibitor) and define the market sufficiently broadly to encompass both the relevant competitor set and future opportunities. For example “wax-wrapped snack sized round cheese” might make Babybel™ the market leader but it doesn't help understand the competitive environment or wider opportunities.

02



## Desk research

Try to gain clues as to how the market works from e.g. guidelines, publications, patient support organizations, what competitors are saying, and in which patient segments they are successful.

03



## Cross-functional team hypotheses

Develop several working hypotheses of the structure as a team, utilizing the full range of experiences and understanding of different stakeholders.

04



## Primary research insight and quantification

Qualitative exploration to understand why treatment decisions are made, coupled with structured online market research for robust definition of segments and quantification.

05



## Interpretation, debate, and iteration

Working sessions with the cross-functional team (and both teams if there are two assets in the portfolio) to finalize the Market Structure and start to understand implications for strategy.

06



## Visualization

Market Structures can be complex – and that level of detail and rigor is important, but simple visualizations that focus on target areas are vital communication tools.



## In conclusion

Developing a Market Structure is not a light undertaking, particularly when being completed for the first time in an unfamiliar therapy area. Although it doesn't need to be re-worked each year, market changes such as new competitors, evolution of treatment outcomes, and guideline updates should be triggers to reassess and update. And it is certainly worth the time investment – a good Market Structure provides an insightful and real view of the market, a reassuringly solid foundation stone for asset and portfolio strategy and a unifying framework for cross-functional planning.

Lumanity applies incisive thinking and decisive action to cut through complex situations and deliver transformative outcomes to accelerate and optimize access to medical advances. With deep experience in medical, commercial, and regulatory affairs, Lumanity transforms data and information into real-world insights and evidence that powers successful commercialization and empowers patients, providers, payers, and regulators to take timely and decisive action.

Contact us to learn more about how Lumanity can support your unique challenge – developing primary research insights, robust market structures, and helping teams understand the implications for strategy.

[lumanity.com](https://lumanity.com)