

# MedAdNews

December 2005

medadnews.com The Magazine of Pharmaceutical Business and Marketing

## Multiply and conquer

**Ventiv has grown far beyond its origins as a contract marketing company, as organic growth and recent acquisitions prepare the company to do everything from late-stage clinical-trials recruitment to commercial advertising and marketing.**

By Gina-Louise Monari

**V**entiv Health Inc. emerges as a different kind of pharmaceutical service company. In a little more than one year, the company has expanded its platform to help small and larger pharmaceutical clients enhance performance and effectiveness from late-stage clinical trials through commercial advertising and marketing. Ventiv has broadened its services organically beyond sales teams, which were about 85% of the business two years ago. Now sales teams are less than 50% of the company's business mix. Ventiv has accomplished this by adding a variety of offerings beyond sales teams, such as recruiting and training, a therapeutics institute, nurse-educator teams, and managed-care teams. In addition, the company made a total of five acquisitions to expand its existing offerings in the last 15 months. Analysts are confident about Ventiv's business ventures.

Since its inception, much of Ventiv's growth has come from working with several small-to-midsize companies. The company has more recently geared up to address the needs of small-to-midsize marketers, as well as large pharmaceutical companies who are beginning to embrace the outsourcing of various functions. Small companies more commonly prefer to deal with fewer external vendors or marketers. These companies are increasingly embracing outsourcing, especially for their sales forces and for minimizing their infrastructures. Large pharmaceutical companies are under pressure, with fewer blockbuster drug approvals and products that are less differentiated. These marketers are realizing that they need to start planning earlier to create a differentiated message, better positioning, better targeting, as well as to lower cost and attain more flexible execution.

Ventiv's customized clinical, sales, marketing, and communications services have been organized into three core business segments: Commercial Services, Clinical Services, and Communications Services.

Ventiv's Commercial Services business comprises sales and marketing teams; medical-science liaisons and clinical-educator teams; planning, analytics, and market research; data collection and management; drug-sample management and patient-assistance programs, as well as Office of Inspector General compliance programs; marketing-support services; recruitment; professional development and training; and access services.

Ventiv has been expanding its range services during the last three years to four years in a number of different ways, through organic expansion and with the addition of a variety of line extensions, in areas such as nurse-educator teams, science-liaison teams, and safes-force automation. Ventiv's sales have increased from \$215 million in 2002 to \$352 million in 2004. Company managers estimate that 2005 sales will be between \$505 million and \$515 million and 2006 sales will be between \$610 million and \$630 million.

"We are continuing to grow and broaden our business in a variety of different ways, largely with the view that our clients are looking for broader capabilities, broader solutions, from a smaller number of capable vendors from the services side," says Eran Broshy, CEO, Ventiv (ventiv.com).

Analysts with CIBC World Markets (cibcwm.com) believe that Ventiv is benefiting from favorable industry dynamics. As a sales and marketing partner to the pharmaceutical and biotechnology industry, Ventiv benefits from cut-throat competition to increase share of voice and market share among the physician community.

"With swelling U.S. pharma sales forces, up 75% since 1998; a fall in the number of blockbuster drugs coming to market; and the looming threat of generic competition, pharma companies are gradually seeking the help of outside providers to meet these industry challenges," CIBC analysts say. "Physicians increasingly do not have the time to meet with pharmaceutical sales representatives, making the sales function a commoditized task that is better left to an outsourcer — that can do it better and at a lower cost. The barriers to entry in the space are high, since the resources

and capabilities needed to recruit, train, and deploy representatives — and to do that consistently — cannot be easily duplicated. Only companies with a strong and consistent track record can attract work from the pharma industry."

To complement Ventiv's analytics offering through their **Health Products Research Inc.** division, the company has added recruiting and training offerings, a therapeutics institute that provides medical-science liaisons, nurse-educator teams, and managed-care teams.

Ventiv's clinical-services business provides clinical staffing; clinical-data management; functional services; and permanent placement. The company introduced the independent service **Total Data Solutions** division in August 2004. This division provides clients with a complete package for data collection and the management of field sales activity and performance. Total Data Solutions complements Ventiv's full suite of customized sales, marketing, and compliance solutions available to clients as part of an integrated or independent business solution.

In addition, service-line extensions has been another area of growth. **Ventiv Access Services** was established in September to provide pharmaceutical and biotechnology companies essential resources surrounding the launch of new products into the marketplace. Ventiv Access Services focuses on helping clients establish distribution channels, gain product penetration in the managed markets, navigate trade and government relations, and obtain reimbursement, among other integrated services.

In the first five years after setting itself up as a public company, Ventiv did not seek acquisitions, but in the past 15 months the company has broadened its services in the compliance, clinical, and marketing areas with five acquisitions. Mr. Broshy told *Med Ad News* that there have been two drivers for the company's acquisition activities: to broaden the earnings base of the business and to add more earning stability to reduce its client concentration to create a more recurring earnings business. Through these acquisitions, Ventiv has been able to enhance what the company can cross-sell to clients, offer as bundled solutions, or offer in the way of wholly new solutions by combining different components of the organization's business mix.

Initially, the company acquired **The Franklin Group Inc.**, **Smith Hanley Corp.**, and **HHI Clin-**

ical & Statistical Research Services LLC. The Franklin Group provides pharmaceutical compliance services and patient-assistance programs. HHI provides specialized statistical analysis and data-management services. Smith Hanley provides late-stage stage clinical staffing and recruitment services. With HHI and Smith Hanley, Ventiv is able to handle late-stage clinical-staff augmentation and data management to provide more flexible and functional outsourcing.

According to analysts at **Jefferies & Co.** (jefco.com), The Franklin Group is turning out to be a very good acquisition for Ventiv, and the business continues to attract new clients. "Since becoming a part of Ventiv in June 2004, The Franklin Group has won five new patient-assistance programs — including one with Bristol-Myers Squibb, which is also Ventiv's second-largest client for contract sales services — and several new sample accountability programs," these analysts say.

Contract Sales is Ventiv's largest business unit. The business unit ranks among the top two businesses in the world for assembling contract sales forces for pharmaceutical and biotechnology companies and serves 40 clients. Smith Hanley achieved 24% revenue growth in 2004 and counts 14 of the top 20 pharmaceutical companies among its clients.

Analysts at CIBC believe that the biggest growth opportunity for Ventiv is in client propensity to outsource. Less than 10% of the market for pharmaceutical sales forces is outsourced. These analysts believe that as companies move to outsourcing sales forces for launch products — rather than mature products, which was done in previous years — the outsourced slice of the pie should become even bigger.

Four big players populate the competitive landscape for outsourced sales forces: Ventiv, which has 28% share of the outsourced market; **PDI Inc.** (pdi-inc.com) with 33%; **Quintiles Transnational Corp.** (quintiles.com) with 18%; and **Publicis Groupe** (publicis.com) with 11%.

"Whatever the exact growth opportunity, industry experts all agree that the market for sales-force outsourcing is ripe for growth in the mid-to-long term," CIBC analysts say. "No

competitor has quite the same service offering as Ventiv. Most of these service offerings, such as sample accountability, patient-assistance programs, compliance, etc., were obtained recently through small, bolt-on acquisitions like The Franklin Group and Smith Hanley."

The most-recent acquisition was in the area of communications. Ventiv's communications offering now includes advertising and communications agencies; branding consultation; interactive communication development; medical education; and contract marketing services.

Ventiv's acquisition of **inChord Communications Inc.** in September adds a dimension to the company's business model with a full range of sales and marketing services for the pharmaceutical and biotechnology industries. InChord is operating as a stand-alone company within Ventiv's newly created Ventiv Communications division, led by Blane Walter, CEO, inChord (in-chord.com).

Ventiv's top clients include: **Alta-na Pharma AG** (altanapharma.com), **Bristol-Myers Squibb Co.** (bms.com), **Dai-ichi Pharmaceutical Corp.** (daiichius.com), **Johnson & Johnson** (jnj.com), **Noven Pharmaceuticals Inc.** (noven.com), **Sanofi-Aventis** (sanofi-aventis.com), and **Upsher-Smith Laboratories Inc.** (upsher-smith.com). With the acquisition of inChord, Ventiv has added several top pharmaceutical clients, such as **Cephalon Inc.** (cephalon.com), **Eli Lilly and Co.** (lilly.com), **Genentech Inc.** (genetec.com), **GlaxoSmithKline** (gsk.com), **Novartis** (novartis.com), **Novo Nordisk AS** (novonordisk.com), **Roche** (roche.com), and **Tap Pharmaceutical Products Inc.** (tap.com).

Although there are no cost synergies expected from the acquisition of inChord, Roth Capital Partners LLC (rothcp.com) analysts believe that the expanded client base post-acquisition should provide significant growth and cross-selling opportunities, as well as bundling of the company's services. The expanded client base will include 150 pharmaceutical, biotechnology, and specialty-emerging companies.

With Ventiv's acquisition of inChord, the company took another step in its quest to become the leading provider of sales and market-



**ERAN BROSHY:** Ventiv's focus has been positioning the company as the best sales team organization in the industry and offering a compelling value proposition.

ing services for the pharmaceutical and biotechnology industries. Analysts with CIBC believe that Ventiv is a high-quality company whose long-term secular growth story remains healthy. Prospects for pharmaceutical sales-force outsourcing remain healthy, with the current 9% of the market contracted out expected to grow to 15% to 20% during the next five years.

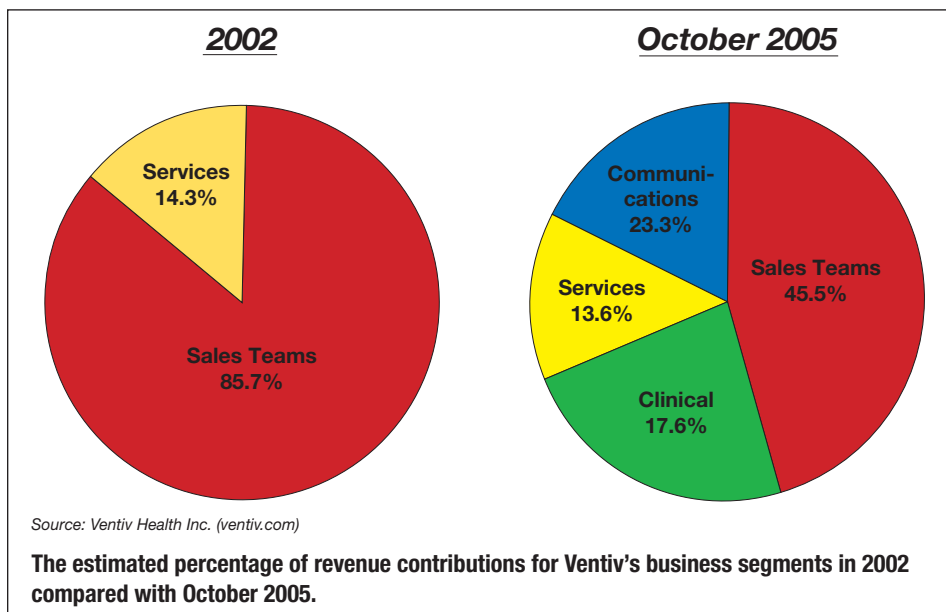
"The Ventiv business historically has had a range of sales and marketing offerings but more of a strength on the sales side, given the large numbers of sales representatives and sales teams that we field," Mr. Broshy says. "We have been looking for quite some time at adding a marketing and communications capability to that."

The additional diversity provided by acquisitions like inChord strengthens what CIBC has long viewed as a compelling story by lessening the perception of volatility typically associated with contract sales organizations, moderating client concentration, and adding high-growth businesses to the mix.

"The acquisition of inChord ... significantly bulks up Ventiv's capabilities in the marketing arena, which had lagged its sales and outsourcing offerings," CIBC analysts say.

Analysts believe that the move underscores one of the key positive aspects of Ventiv's strategy, which is its continued goal of diversifying the revenue stream beyond its roots as a pure-play, contract-sales organization.

According to analysts at CIBC, Ventiv has established a winning market position and strategy. Ventiv has established a coveted position in the market for outsourced sales forces, winning 40% to 50% of the deals that the company is involved in. Channel checks with customers indicate that through all of the acquisitions Ventiv have made, customers have seen the transitions as seamless and view Ventiv as having strong customer service and a solid product expertise. □



This article can be accessed online at

**PharmaLive.com**