

URL: <https://ecorner.stanford.edu/in-brief/preparing-the-market/>

In biotech, observes Vir Biotechnology president and CEO George Scangos, it's especially crucial to fully understand the market, and the means by which a new therapy will be purchased, prescribed and distributed. Many scientifically successful drugs, he points out, have been commercial failures—further demonstrating the importance of making sure the market is prepared to accept (and pay for) a new therapy.



## Transcript

- Even we who don't have any products to sell yet 00:00:05,830 have a commercial group.. As you have to start planning for how to commercialize things well in advance of when you actually have them.. You have to start.... you have to understand the markets.. I think one of the key things for companies that I've taught for a long time is you have to solve problems that actually exist not that you think exists.. And that's not only scientific problems and technical issues, it's commercial issues.. You know is there a need for this product? How would it be used? Are there some flaws in your thinking? So even if you're technically successful, no one is going to use it, right? And so you need to understand those issues.. So you need people who understand the market, who can interact with the prescribers and the physicians and the health plans who are going to pay for this and Medicare and other agencies to understand whether what's important to them, how you've-- - George without naming names, 00:01:06,500 can you give an example over the last 30 years or so of an example of that, where a product was developed of which there was no use because there wasn't a commercialization plan.. - There've been many.. 00:01:18,302 (chuckles) Well, I gave you the recent one..

It's not that there's no use like the PCSK9 inhibitors.. These are new drugs that are really potent in reducing LDL cholesterol, reducing cholesterol.. So for people who are not adequately controlled on stat, and so they can be a lifesaver.. And so there are two or three owners now on the market, they are really good drugs, but they were priced at a level where all of the payer said, no, thank you.. We're not paying for this.. The benefit to our patients does not merit that cost.. And so they're actually used very little and they are potentially life saving drugs.. And so that was an error not the product, but in how to- - How to price it 00:02:06,577 - Price it into the marketplace.. 00:02:11,220 Gilead when they introduced their Hep C treatment.. This is a treatment that cured hepatitis C, like 98 or 99% cure rate so, and I think the one or 2% of people, just aren't compliant..

You have to take a pill every day for a period of time.. And they charged, you know, I think initially they charge \$40,000 for that treatment.. They got so much grief for that.. - They got a lot of grief.. 00:02:37,757 - And they charged it.. It was..... 00:02:42,414 you know basically it was a thousand dollars a pill, right? Cause you had to take a pill once a day and just divide it up as a thousand or so people looked at the pills, and saw \$1000 - A dollar a pill, yeah.. 00:02:56,100 - So when you actually do the cost benefit when it should, 00:02:58,700 they save more money to the healthcare system, by avoiding cancer and liver cirrhosis, then of course.. But it was cosmetic, so they didn't deal with that.. - They didn't deal with it Well..

00:03:10,870 - Most of those patients are on Medicaid, 00:03:14,170 and they didn't talk with the state Medicaid agencies, and prepare them.. So they all had their budgets just completely ruined.. And so they fought pushed back.. So there are ways that you need to prepare the market to interact with payers that are crucial, to the success of the product...