Closing the digital gap in pharma

New research on the digital maturity of pharma, relative to other industries, reveals clear opportunities to improve performance by better connecting digitally with patients and physicians.

Digital is transforming the way the world does business, and healthcare is no exception. Nearly 70 percent of US consumers use an online channel to manage health and wellness, and more than 50 percent of US healthcare providers are digital “omnivores,” using three or more connected devices professionally.¹ One in five of the top pharma companies now has a chief digital officer or equivalent position,² and many others are creating digital roles at a senior-management level. Even with this shift in mind-set, when we think about digital performance across industries, we tend to assume that pharma is behind the curve. But is it? Our comprehensive digital assessment of industries demonstrated that pharma is indeed behind, and dramatically so.

For pharma and healthcare incumbents, the digital age raises new uncertainties about their position in the industry. As they adapt to the pace of change, companies face a stark choice: either evolve with the new era and build an organization that has digital at its core or risk losing ground as competitors become more deeply integrated in the patient and provider decision-making process by leveraging new digital tools.

Assessing digital maturity
To gain a deeper understanding of the digital challenge businesses face, McKinsey developed an assessment tool for diagnosing a company’s digital maturity. We call it the Digital Quotient, or DQ (Exhibit 1). The assessment evaluates how digital leaders perform across 18 common practices spanning four dimensions: strategy, capabilities, organization, and culture. We have now tested the DQ with more than 100 thought leaders and 200 companies worldwide.

If we analyze DQ scores at the industry level, using a 100-point scale, pharma’s score of 27 lags behind the average of 33 across sectors. It even trails other highly regulated businesses, such as banking (32) and insurance (31). In fact, pharma scores were closer to those of sectors that historically have been digital laggards, including the public and social sectors (Exhibit 2).

Given the conservative nature of the pharma industry, this is hardly surprising, but is it not caused by a lack of awareness. Most pharma companies recognize that digital will have a disruptive impact on healthcare. Only 10 percent, however, base their strategic decisions on a quantified, granular understanding of how digital affects their competitive environment and business model, compared with 22 percent across all industries and 37 percent for digital leaders.

² McKinsey review of top 25 global pharmaceutical companies, based on LinkedIn data.
That being said, not all scores are equal, and pharma companies with scores that are relatively high within the pharma peer set (greater than 32) are well ahead of those at the lower end (less than 25). The higher-scoring pharma companies tend to be midway through their digital journey; they have a defined digital strategy and are now wrestling with how to scale up initiatives and capabilities. The lower-scoring pharma companies are ones that have yet to develop a robust digital strategy. In the middle, we find companies that have defined a strategy but are unsure of the execution.
What’s holding pharma back?

Pharma has traditionally been slow to adapt to change. We set out to understand why it trails other industries and what it can learn from digital leaders.

When pharma companies look to create a digital-savvy organization, many will focus on building analytics capabilities and seeking partnerships to deliver new services or insights. Indeed, many industry leaders believe that this analytics gap is what holds them back in realizing their digital strategy. In fact, the DQ assessment revealed that pharma companies are limited not just by their digital and analytic capabilities but also by specific elements related to their strategy, culture, and organization (Exhibit 3).

Digging more deeply, we identified three practices that represent pharma’s biggest barriers in improving its digital performance.

Ensuring a customer mind-set

Pharma’s DQ scores for strategy revealed a consistent lack of a customer orientation. For pharma, this indicates that companies pay too little attention to the customer decision journeys that patients and healthcare providers undertake to access, interact with, and benefit from their products (we call these CareFlows). Nearly 40 percent of pharma companies admit they do not understand these journeys well enough to map digital touchpoints and align them with their digital strategy.

Exhibit 3

Pharma companies face barriers in strategy, culture, and organization.

| Distribution of Digital Quotient score by dimension, points, out of 100 |
|-----------------|-----------------|-----------------|-----------------|
| Strategy        | Culture         | Organization    | Capabilities    |
| 41              | 71              | 65              | 46              |
| 30              | 25              | 25              | 25              |

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A customer orientation has always been fundamental to success in healthcare. Today, the commercial impact of a product or therapy can depend as much on the patient or provider experience it offers as on its clinical effectiveness. Leading companies develop a deep understanding of all the channels through which they interact with stakeholders during their journeys. To do that, they build up an integrated view of the customer experience instead of a channel-oriented view, for example, by focusing on interactions the sales force can engage in.

A case in point is Janssen’s efforts to improve care for patients taking its Invokana drug for type 2 diabetes. The company launched an initiative for the US Hispanic community after studying how disease perception, therapy management, and information-seeking behavior varies in different cultural groups. Building on this understanding, it assessed content gaps and engagement opportunities to shape its marketing campaign. As a result, Invokana consistently outperforms other brands in various digital channels, with very high engagement among Hispanic patients.

**Linking digital to the broader business**

For companies with a high DQ, digital is not an island operating independently of business strategy; rather, it’s embedded within it. That said, 60 percent of pharma companies admit their digital initiatives are only partly linked to their broader strategy. Indeed, all the pharma companies in our sample conceded that their digital strategy is not systematically linked to their business at every level.

By contrast, companies considered digital leaders in other industries have a digital strategy that is fully embedded in their core business. Within pharma, this strategic linkage turned out to be a hallmark of top performers. If we measure how far pharma companies lag behind digital leaders, the gap for an average pharma performer is twice that for the top-performing pharma companies.

So what’s going wrong? Many pharma companies align on their strategy first and treat digital engagement as an aspect of execution, rather than as a central consideration in strategic planning. This sidelifing of digital initiatives represents one of the biggest barriers to effectively connecting with patients and physicians (who are, themselves, more digitally connected than ever). Successful engagement starts first with developing a deep understanding of how patients and physicians want to interact and then designing ways to engage that fit those preferences. Today, that typically results in a shift of mix toward greater digital engagement, but that is a means to an end, rather than an end unto itself.

To ensure a strong link between business and digital, one US pharma company held an offsite workshop to bring senior executives together on digital and data priorities. The team aligned on four main business priorities and generated ideas on how digital and data could drive these forward. Then, digital initiatives were prioritized and each assigned an executive sponsor to ensure continued support and accountability at the leadership level.
Maintaining an efficient operating model

A successful digital organization needs an efficient operating model. Our research found pharma companies had gaps in several areas:

**Leadership mind-set.** A mere 15 percent of senior pharma managers (C-level executives and their direct reports) could identify their company’s main digital-related key performance indicators, and only 40 percent felt the members of their leadership team were well versed in digital trends. This lack of senior knowledge and ownership hinders companies in advancing their digital initiatives. At companies that are top performers, by contrast, more than 70 percent of leadership-team members can identify these key performance indicators, and clearly defined performance-tracking metrics are visible at every level of the organization.

**Role clarity.** Fewer than 15 percent of pharma companies have well-defined roles and responsibilities for core digital processes, compared with 38 percent for digital leaders across industries. Part of the reason for this gap lies in digital immaturity; many pharma companies have only recently established digital-specific roles, and the governance structure is still in transition.

**Digital-spending oversight.** Having a clear governance structure also helps companies exert proper oversight over digital spending. Pharma had a significant gap on this dimension: fewer than 30 percent of companies were able to track their digital budget across most business units. The differences between companies, however, were striking: 35 percent of high-DQ organizations measured the return on their digital investment, compared with just 6 percent of the weakest performers.

**Organizational structure.** High performers align their organizational structure with their digital priorities. Some set up a center of excellence for digital or appoint a chief digital officer to drive accountability and accelerate their digital transformation. No model suits all cases, so pharma companies need to think carefully about the structure that best fits their digital maturity and where they are in their journey; the right solution is likely to evolve over time.

To compete in today’s digital age, every pharma company—regardless of its aspirations or positioning—needs to reassess how patients and physicians prefer to learn and interact. This evaluation will almost inevitably increase the need for stronger digital capabilities and new, digitally enabled engagement approaches. To meet these new requirements, organizations can take a few practical steps to get started. This includes establishing a direct link to business leaders and securing their support on top digital priorities (which should be tied to overall business objectives). Depending on the extent to which there is a centralized digital hub, a lean working committee or a “SWAT team” may be established to support and drive those priorities. In parallel, it is important to identify fundamental processes that might block progress and define a plan for tackling such bottlenecks; traditional compliance approval processes may not be able to keep up with the pace of refreshed digital content.
Digitization is driving an increasingly fluid healthcare landscape. Successful companies will have structures, processes, and mind-sets in place that make them agile and forward looking. In many therapeutic areas, tomorrow’s winners will not be defined by the competitors that are strongest today but by those that are quickest to adapt.

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