

Case study of changing the business model of novocure ltd



Introduction:

Novocure is a privately held medical device company focusing on the treatment of various types of cancers. It has developed NovoTTF - 100A device that uses specially tuned, low intensity electric fields called Tumor Treating fields to disrupt the divisions of cancer cells. The Tumor Treating fields are applied to the tumor region using non-invasive insulated electrodes placed on patient's scalp. The electrodes which look like bandages are attached to a battery operated portable device that generates the fields. NovoTTF - 100A device has completed pivotal trials for Recurrent Glioblastoma successfully. NovoCure needs to transform itself quickly from a research oriented organization to commercial business once it receives the Pre-Market Approval for the treatment of Recurrent Glioblastoma using NovoTTF - 100A. This would require several capabilities to be built within a short time frame. A new business model needs to be developed. Tumor Treating Fields is an oncology therapy that needs to be delivered by a portable hardware, which apparently is a new delivery model for the oncologists, neurosurgeons and even for patients for that matter. There are various challenges which need to be addressed with this business model especially how this therapy should be provided to patients. NovoCure needs to choose a distribution and service delivery model, billing and reimbursement process. NovoCure also needs to ramp up its manufacturing and establish a supply chain management process to ensure reliable product availability. It also has to build patient and physician support infrastructure around the world.

NovoCure has the potential to generate huge revenues from the cancer treatment using Tumor Treating Fields technology. NovoCure had to find a way to finance their path to market. NovoCure would also like to retain commercial rights to all possible cancer indications. But, getting to the future needs funding. NovoCure would need an additional \$35 million to file the PMA application for recurrent glioblastoma, complete the non small cell lung cancer pilot trial and complete the two year enrollment of the pivotal trial for newly diagnosed glioblastoma. There were three options available for NovoCure which included attracting additional venture capital firms, approaching a strategic corporate partner and/or attracting a significant angel investor.

Recommendation 1: Attract a strategic corporate partner to fund \$35 million to get to the future.

Since the elements of the strategic fit of NovoCure's Tumor Treating Fields with the chemotherapy manufacturers is apparent, NovoCure is expected to generate significant interest among the manufacturers of chemotherapy agents. NovoCure's TTFIELDS technology can be used to make chemotherapy more effective. TTFIELDS could be prescribed in conjunction with the chemotherapies. This can provide an advantage to NovoCure because NovoCure can exploit the existing elaborate global distribution infrastructures of the pharmaceutical companies to market therapies to oncologists and patients. The commercial life of TTFIELDS is long compared to the chemotherapy drugs. As a result TTFIELDS can make each drug better in its turn as the new chemotherapy drugs are developed.

Since NovoCure is not really keen on licensing out any of its target cancer indications, NovoCure can approach in-house venture funds of the large pharmaceutical companies like Pfizer, Johnson & Johnson and GlaxoSmithKline which have established investment organizations managing significant assets. These funds will not only bring equity financing, but also the credibility and “ halo effect” of having passed the inspection by a leading industry player.

The leading venture capital firms who are known for making quick decisions were at a stand-still due to the liquidity crisis when NovoCure was in a critical stage. As a result raising additional venture capital was not an option.

Although attracting venture philanthropy is a feasible option, NovoCure will not get the advantage to exploit the global distribution infrastructures which is apparently available when they attract a strategic partner. As a result NovoCure should attract a strategic partner to fund for \$35 million to go forward.

Recommendation 2: Hire Management Consulting teams to analyze existing business problems/challenges and develop plans for improvement.

NovoCure needs to transform itself quickly from a research oriented organization with only 38 employees worldwide to commercial business. This transformation would result in many changes and create many challenges which need to be addressed.

NovoCure might need assistance from a Management Consulting firm which is experienced in Change Management assistance. The Change Management

needs a structured approach to be followed to transform Individuals, teams and organizations from a current state to desired future state. It is an organizational process which is aimed at helping employees accept and embrace changes in their current business environment. Various types of organization changes where NovoCure might need assistance are strategic changes, technological changes, structural changes and changes in the attitudes and behaviors of personnel which can be provided by experienced Management Consulting firms.

If we look at the statistics, Annual occurrence of human glioblastoma in only United States, Europe and Japan is 20, 000 - 25, 000 cases. Apart from these countries, if NovoCure wants to expand to the Asian Markets as well, there will be a huge influx in demand once the PMA approval for recurrent glioblastoma is obtained. In this case, NovoCure might have to set up their bases in different parts of the world for manufacturing the devices. It also needs to focus on providing support infrastructure, choosing product delivery model and choosing payment services. In this case, NovoCure might need assistance from a Management Consulting firm which can bring their experience to plan for development of coaching skills within the organization and operational improvement services. NovoCure can try to adopt the Supply Chain and Operational model which is implemented by the successful companies like Dell or Wal-Mart for the Operations process which will be very crucial after the PMA approval with the help of experienced Management Consulting Firms.

Recommendation 3: Invest on Innovation, Research and Development to start trials on different forms of cancer in parallel and to provide price and product differentiation for various types of cancer treatment.

One of the major issue/draw back with NovoCure's Tumor Treating Fields device is that the cost of the device is exorbitantly high. It would be difficult for NovoCure to reach wide customer base (Customers in this context will include physicians who will prescribe the treatment/device, drug stores who will distribute the device and patients who will use the device) with such a high price. NovoCure needs to investigate in its Research and Development to innovate on producing price and product differentiation.

Although the Product is portable, it is comparatively big especially because it has to be worn throughout the day. NovoCure needs to reduce this patient treatment time and also try to reduce the size and weight of the product.

Cancer can occur for various types of patients depending on age, stages of cancer and medical condition. NovoCure can innovate on these lines by providing different versions of the product for different age group, stages of cancer and different medical conditions. Ex: Very young age / Old age and Individuals with prolonged medical problems need to be provided a product with extensive features to cure their disease. If NovoCure has to expand to Asian Markets where there is a huge population of middle class people, NovoCure needs to provide this Price and Product differentiation to customize products and charge customers closer to their reservation price.

Although NovoCure is conducting clinical trials for different types of cancer, this process needs to be accelerated. Innovation and Clinical trials for different

types of cancer needs to be carried in parallel. NovoCure needs to hire skilled individuals from all over the world for this process. The Management Consulting firm would help NovoCure in this whole process. NovoCure needs to expand its R&D base and start clinical trials for different types of cancer in this way.

Summary:

NovoCure's Tumor Treating Fields Technology can be used effectively as Blue Ocean Strategy to Market their products especially because of minimal side effects compared to other chemotherapies. NovoCure needs to raise funds for conducting clinical trials which can be achieved by attracting a strategic investor. Once they raise funds, they also need to analyze and solve the business challenges which can be done and taking help from Management Consulting firms. NovoCure also needs to continue its innovation process to roll out different products with price and product differentiation to reach wide customer base. With NovoCure, World can be a better place for cancer patients to live in and the Cancer Patients all over the world can say " Never, never, never give up".