

Capturing the Cloud: A Conversation with Veeva Systems Matt Wallach

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By William Looney

In another of our conversations with leading CEO innovators transforming the pharma business model, Pharm Exec sits down with Matt Wallach, co-founder and President of Veeva Systems, an upstart start-up whose mix of cutting-edge technology and a strong customer orientation has brought it to the top rank in providing cloud-based data management services to the life science industry. So inherently conservative are companies in this industry that the advantages of cloud-based data solutions are only now being recognized – but the pace of innovation is more than making up for lost time.

- William Looney, Editor-in-Chief

William Looney: Leadership and personality are cited frequently as drivers of success in today's hotly contested field of business data management. Veeva Systems seems to support this thesis. The company's evolution from a start-up in 2007 to its current position as the dominant vendor in cloud-based software for the life sciences has been influenced by the personal vision of you and co-founder Peter Gassner. How did you progress to this point – has your career been a seamless, planned journey to the "c suite" or is your professional success more a function of serendipity and chance?

Matt Wallach: I am a graduate of Harvard Business School, which is often an excellent preparation for careers on Wall Street and in investment banking. But that path never interested me. What I wanted to do was build something new. Before business school I was a management consultant, a pursuit I also found unfulfilling because, while you can recommend, you can't execute. I wanted to get my hands dirty. So after Harvard, I joined three different technology firms, working as a product manager specializing in software for pharma sales reps and clinical research associates, the marketing of healthcare data and writing specs for R&D software applications. The grounding here led me to higher positions in general management. This was followed by my decision to venture on my own and launch Veeva in partnership with Peter Gassner.

If you look at what Veeva does today versus my early exposure to these three software vendors, you might conclude that I had planned everything in a linear fashion. I had the customer relationship management [CRM] skills as well as expertise in clinical applications, content management and healthcare data. I can assure you I was not that smart. A lot of extraneous factors intervened. It all just worked out.

Pharma is different

What were the key elements of your initial vision for Veeva? What unclaimed space or need did the new enterprise fill?

Our idea was to bring what at the time was a disruptive technology – software as a service [SaS], which we now call cloud computing – to improve operational efficiency in the life sciences industry. We understood that pharmaceutical companies were sufficiently different from other business sectors to require customized solutions, and not just from a technology perspective. You couldn't just hand a software package originally devised for a retailer or insurance company over to a pharma sales team and expect they could apply it successfully in the field. One reason is FDA regulations that limit what a sales rep can say or do with physician customers. Another is the mobility of the sales rep and the difficulties of establishing connectivity to support the varied interactions reps have in the health care workplace.

In short, there was no lesson plan for this vertical, so we proceeded to invent one. Peter Gassner designed our technology platforms and products, in Silicon Valley, while I focused more on the customer relationships and marketing side with big Pharma players here in the East. I work out of Philadelphia.

Can we summarize Veeva's basic business model? Are you a technology company or a service company?

Wallach: I see it as a combination of both. When we started Veeva, the focus was on delivering this disruptive technology with applications to pharmaceuticals. Over the past eight years, we have refined and replaced the technology, I would say hundreds of times. With mastery of the technology established, we moved to becoming a true partner to the industry. The transition was based on a revolutionary insight: Peter Gassner and I discovered that just providing the technology did little to change the culture of the life sciences organization in a way that would impact favorably on its business metrics.

Hence we changed our mission from being the leading provider of CRM applications in life sciences to becoming a "most-trusted" technology partner. We still cite technology as a core strength because it differentiates us from the big service-oriented consultants. But we also want to emphasize the same kindred partnering spirit as an Accenture or McKinsey, because it highlights the add-on value we deliver to clients. More than 300 colleagues at Veeva now work to supplement the technology with tailored professional services. Their mission is clear: to take the initiative in helping each of our client companies get the best business results from the technologies they contract from Veeva.

New data domicile

You allude to the fact that pharmaceuticals are an industry where change comes slowly. Can you explain how Veeva has overcome barriers and helped companies move forward?

The cloud means that applications can not only be hosted efficiently in one place, but be fully validated as well. Before us, there was no validated application hosted in one place, accessible and freely shared among multiple customers. We refer to this innovation as "multi-tenancy." To alliterate, it is the difference between arranging data along a long stretch of single family houses on

the same street to having everything in a single apartment building. Using the apartment model, you share and distribute the cost of the lawn and the driveway, the roof and HVAC system and the elevators. But your apartment is your own – it's your place and your locus of security, safety and comfort.

Veeva software is designed the same way. We keep the infrastructure and the technology in one place, where the data is collected and stored. But privacy is protected, so that if you log in with a Novartis ID, you can only access its data trove, and none other. Our validation standard works at the same level of what companies would expect during a formal FDA audit. All the data is traceable and fully up to date, ready for that hypothetical audit. That is the benchmark for what we mean by “validated;” it's a high one and operates no less than what a company would have to do if it was hosting the data itself.

Did you encounter the usual “it won't work here” objections in promoting this new platform?

Wallach: Our initial encounters with customers prompted the same response: “we don't like the technology we are currently using, but the concept of cloud-based multi-tenancy is beyond our comfort zone.” We pointed out how multi-tenancy had already been applied to virtually every area of individual consumer activity, from the Google search engine to retail banking. But the inherent aversion to risk in pharma fostered the view that it would not work for them. We had to show that replacing an old technology with a new technology could be done seamlessly, using an infrastructure that was largely invisible to the user. It took practice, but we took the simple approach of identifying the customer's needs, then sending that customer a log- in address, and letting the infrastructure we built take over from there. We knew that the investments we had made were substantial, with a capacity that dwarfed what even big pharma players like Pfizer and Merck might be willing to spend on their own. The basic rationale for Veeva's business model is that everyone shares in the investment we have made in infrastructure. Multi-tenancy produces real economies of scale, which enables us to perform even the most specialized tasks faster and at a much lower cost.

[Attitude adjusting](#)

Obviously, you mounted a compelling case – the customer in life science has adapted to the cloud. Nearly a decade on, how would you describe your strategy today – competitors now exist in this space, so hasn't that required some adjustments in Veeva's overall value proposition?

We are putting more focus on the message that, as a full service partner, Veeva helps pharma companies achieve things they could not do before. On the sales side, we are providing the technology and know-how to help pharma sell consistently through multiple market channels. Again, convincing companies they needed this took some doing. Until recently, drug companies followed the simple edict that the best way to sell was to hire more reps to visit physician offices. If you only had to hire 20 more sales reps to boost sales, why would you invest \$200k in a software pilot whose results were hard to measure against the existing mix of human capital?

What turned that sentiment around was stiffening physician resistance to open access for sales reps, the patent cliff, and other external challenges to the business model. Customers started demanding different and better information covering alternatives to the detailing visit. Big pharma finally began

to notice the impact of the Internet – even though it had largely escaped the “near death” experience of retail firms against online consumer engagement in the late 1990s, pharma could no longer stand complacent.

That’s when the mood shifted. Drug-makers discovered the technology gap. With information about customers now tracking in multiple places, from web sites to social media to payer algorithms to the physician office, how do you direct resources to maximize the return from each separate encounter? Veeva created the know-how to do that. It enables the life science company to say “we will provide information however, whenever and wherever our customers want it.” Technology allows pharma to master the multi-channel sales environment.

How does Veeva differentiate against all the new competition in the cloud space?

There are two ways we stand out. First, we have deep roots in the Silicon Valley technology pool. Second, our expertise rests entirely on understanding a single industry: life sciences. Our competitors may have one capability, but not the other. Only Veeva has both. We also claim to have the latest and newest technology. I call it the difference between the phone book and Facebook – who wants technology that is already 15 years old when you buy it?

Veeva’s growth drivers

In what areas of the life sciences business is Veeva experiencing the strongest growth?

CRM was our first product line. It is still experiencing steady growth. We continue to invest heavily in this part of the business. Our second line is content management, where our Vault system provides support in five areas: marketing, medical communications, quality control, clinical trials, and regulatory processing and submissions. We integrate these five content areas into a single system, administered in one place yet fully accessible to all. It establishes an audit trail from the moment any document enters the system up until it is archived. The value is the collaboration it allows, not only within the organization but with outsourcing partners like CROs and others who formerly stood outside the information “firewall.” Our technology amounts to a redesign of the business process that saves time and money and facilitates the exchange of useful information in a way that was impossible before. Vault has been a major success; sales are still growing at a triple digit rate.

Is there a particular segment that stands out?

Our clinical trial services are growing the fastest, not only because of the increasing cost and complexity of this essential task but also because the one time format of a trial allows for greater experimentation in trying something different next time. Piloting a new technology is easier and faster here. And the efficiencies we offer carry more weight, because today life sciences companies are spending more money than ever on trial work, and the procedures required through regulation are still quite byzantine.

What is behind Veeva’s latest offering, the OpenData technology that companies can use to manage and track industry-physician relationships for compliance purposes.

We observed that there might be an opening for us against older data services that were proprietary, closed models. They imposed a lot of legalese and process hurdles for companies, where the vendor

requires multiple agreements that in some ways operate as a compliance burden in itself. Veeva's open approach is the antithesis. We have created a standard Third Party Agreement [TPA] that can be used interchangeably; our customers will be able to share the data with anyone who has that TPA in place. I think it's more open and transparent to customers than anything on the market right now.

What about Veeva's prospects internationally, outside the US?

At present, 45 per cent of our revenues are *ex-US*. Next in size is Europe followed by Japan and China, which together about equal our revenues from Europe. In that regard, we are deliberately tracking the trend to globalization in our life science customer base. We go where the customer is going. Our latest foray is to India, where we are building an integrated service team designed to attract the growing ranks of local generic pharmaceutical companies who want to expand business abroad.

The Chinese domestic industry also is attractive to us; we are just scratching the surface there in terms of long-term opportunity. Alternative medicines are a segment that could benefit from our technology. Our software services will help local industry do even better at managing costs. We just established our first technology and process engineering team in China to create new capabilities relevant to this objective. One thing we are looking at is leveraging data from local social media circuits like *WeChat*, which has 800 million users. No Facebook or instant messaging -- *WeChat* is the medium for the health practitioners that pharma in China wants to interact with. The new team is looking at building a *WeChat* app that will be part of our local CRM platform.

[An IPO best practice](#)

One issue you did not mention is Veeva's successful IPO in October 2013. What advice do you have for other start-up companies contemplating this step?

An IPO is a highly structured process. The stock exchanges, investment banks, accounting and legal teams are well organized and experienced. For most of the process, the entrepreneur has but to go along with the ride. While this may feel odd, it is actually the right approach.

Having said that, the most important thing I learned by going through the process is that you cannot allow the IPO or being public to change the way you are as a leader or your long-term strategy as a company. The stock market is a finicky and seductive beast. There are temptations at every turn to do what the market would like. But I am more convinced than ever that the companies that succeed in the long-run are the ones that stay true to their strategic vision, independent of their ownership profile.

Trend spotting: what's next?

What are the most disruptive trends confronting life science companies and how well is the industry responding – Where is it outperforming against expectations? What are the lagging indicators?

Wallach: I am impressed by the speed in which the industry has embraced the change in model and mindset offered by personalized medicine. Even the biggest drug companies are seeking out non-conventional partners to create new science. Innovation is coming on strong. A new class of drugs is likely to come on stream over the next decade that will avoid the pitfalls of "one size fits all" medicine and permit physicians to tailor treatments more precisely to the patient's condition. The

new normal will be commercializing a drug that might not do much more than \$500 million in annual sales. I think that change in attitude about the aim of R&D will be good for the patient and society.

The key lag is the lack of creativity in sales and marketing. Pharma is behind virtually every other industry in communicating with customers according to the way they like to consume information. There is a danger that pharma will dispense with the face-to-face selling model. I don't think so. Physicians, in my view, remain the single most critical interlocutor for the pharmaceutical industry. What is sorely needed is greater creativity in supplementing – not replacing – face-to-face interactions with digital tools and alternative channels that give sales reps additional options to interact and thus improve the relationship overall.

What keeps you up at night in regard to the future of Veeva in this changing health care environment?

I am most concerned about retaining Veeva's responsive, customer-centric culture. It is important to preserve this culture as we grow; we can't get too proud of ourselves.

People provide the edge

What about people issues? Do you have the capacity to attract the right talent?

Growth companies like Veeva don't have a problem in recruiting good people and convincing them to stay. We are innovating on top of all our base product offerings. In fact, we are launching two new CRM products in the next three months: one for the alignment of sales territories; the other to help manage events, like medical symposia or marketing team summits. Elsewhere, the Network product is only a year old, but like Vault, it is posting revenue growth of more than 100 per cent.

You have been active in the life sciences business for nearly two decades. What is the most significant change that you can point to in terms of this industry being a good place to build a career?

I worry about the way that recent M&A activity has affected the future of many talented and qualified people who chose life sciences as a career path. A decade ago, people displaced by a merger were able to obtain a similar position in another big pharma company fairly quickly. But these doors slowly started closing, and workers found that the big pharma perks and high salaries became far more difficult to replicate. Small biotechs operate as a different culture and job security is harder to achieve, given the pace of IPO and M&A activity. Hence there is skepticism about taking risks and challenging the status quo, which are character traits that we need in this space. I sense that newcomers are thinking carefully about committing to a career in pharma; the veterans who remain, while I would not call it panic, are less than sanguine about their options long-term. It's a big difference for an industry that was once seen as a cushy patch of comfort.



Matt Wallach (fourth from right) and some of the Veeva Systems team.