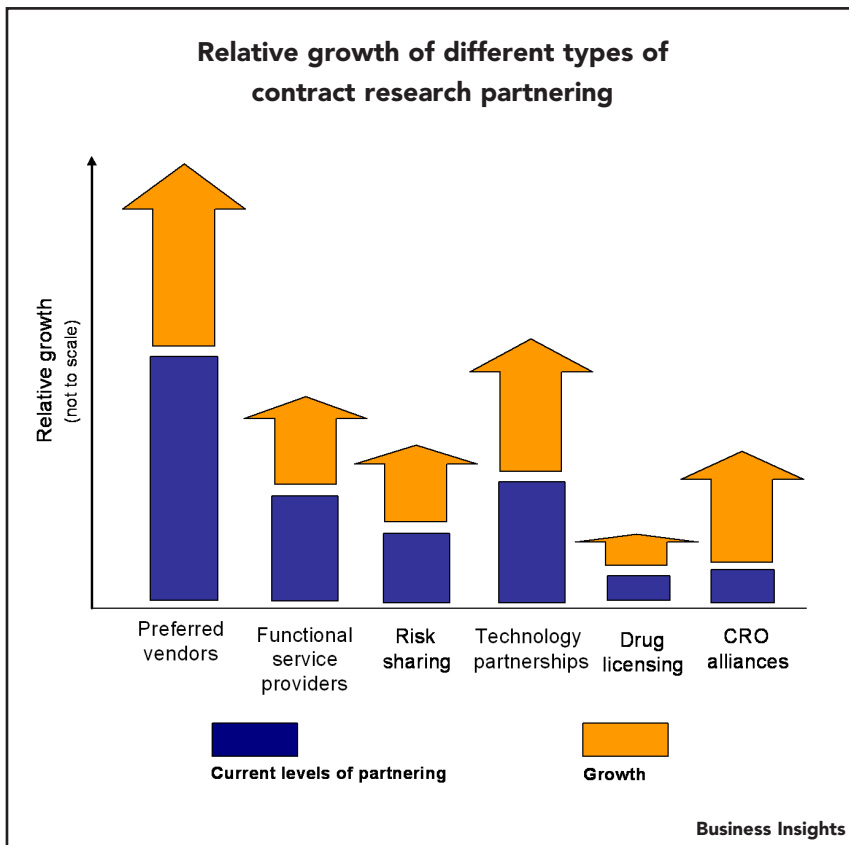


BUSINESS INSIGHTS

Optimizing Partnerships with Contract Organizations

Effective management, key issues and the development of virtual pharmacos

NEW Healthcare Report - Published November 2007



“Partnering in the contract research industry is an entrenched practice, which will become more pronounced over time as drug developers continue to seek ways of cost effectively increasing the volume of quality clinical and pre-clinical data generated, while reducing time to market. However, certain forms of partnering are more common now and some approaches will experience greater growth than others...”

Assess the potential impact of current and emerging partnership approaches, understand the most successful methods of partnership implementation and identify future developments in global outsourcing with this new report...

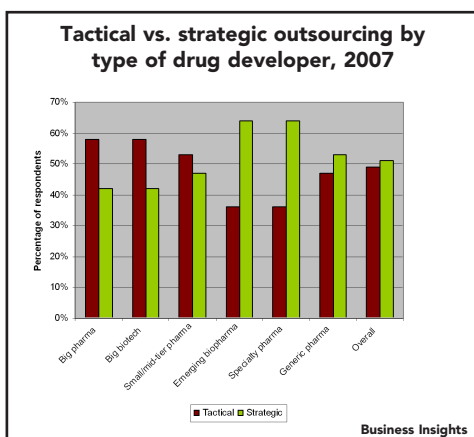
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Some key findings from this report...



“Emerging, specialty and generic pharmaceutical companies are considerably more likely to view outsourcing from a strategic perspective, while larger companies tend to take a tactical approach. The use of strategic outsourcing has declined slightly, despite ongoing downsizing in the pharmaceutical industry, as a result of rising cost pressures...”

- **R&D and manufacturing outsourcing continues to increase, with CRO revenues forecast to grow by 11.5% through 2011** after reaching \$16 billion in 2006. **CMO revenues are expected to grow by 13.0% annually through 2011**, having totalled \$35 billion in 2006.
- **Establishing cross-cultural and distance-management capabilities is crucial for companies outsourcing to India, China and Eastern Europe**, as contract research and manufacturing in these regions continues to experience rapid growth.
- **Quality has overtaken cost as the most desirable characteristic for contract organizations**, having been cited as the single highest priority for respondents in a recent survey of outsourcing executives.
- **Preferred vendors have become the most popular form of CRO partnership** due to significant time-savings and repeat business potential. A rise in R&D risk-sharing is also expected, as large CRO's seek to participate in growth opportunities.

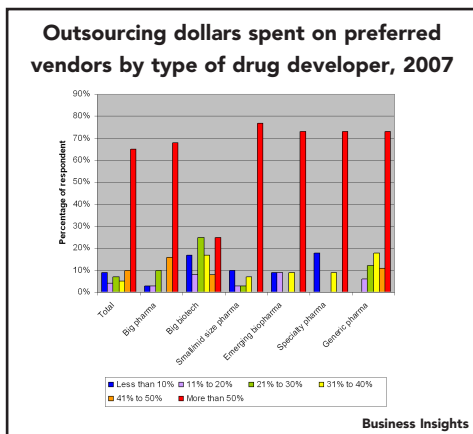
Optimizing Partnerships with Contract Organizations

As financial pressures continue to rise, cost containment efficiencies and time-to-market improvements have made outsourcing an attractive option for pharmaceutical companies. An increasing number of companies have become engaged in outsourced research and manufacturing, experiences highlight that the effective management of business relationships between a company and their contract organization is crucial to project success. Partnerships can help to develop closer relationships between sponsors and contractors, facilitating a mutual understanding of organizational structure, culture and priority that can ultimately lead to improved project outcomes. However, the ever changing nature of the pharma industry means that such partnerships are not always easy to establish and require careful management.

Optimizing Partnerships with Contract Organizations is a new report published by Business Insights that provides a comprehensive review of pharmaceutical outsourcing partnerships and identifies expected changes in relationship dynamics over the next five years. This report uses case studies of successful and unsuccessful partnering strategies to highlight the most effective methods of reducing risk, in addition to evaluating the emerging trends and offshore outsourcing opportunities of markets such as Eastern Europe, China, India and Latin America.

Evaluate the applicability of different partnering strategies, identify outsourcing trends in global regions and understand how to minimize risks in your CRO/CMO relationships with this [new](#) report...

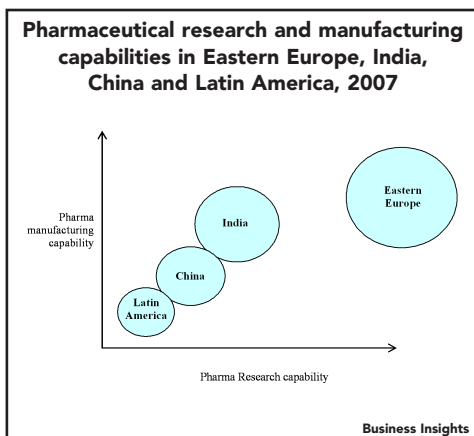
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"Small and mid-tier players are most likely to spend more on preferred vendors, followed by emerging biopharma and specialty pharmaceutical companies. Therefore, while big pharma tends to use a greater number of preferred outsourcing organizations, total billings with each tend to be lower..."

- **Assess the potential impact of partnering strategies on your drug development programs** with this report's detailed evaluation of preferred vendor relationships, functional service contracts, risk sharing, technology partnerships, drug licensing and CRO alliances.
- **Discover the offshore outsourcing potential of key global regions including Eastern Europe, India, China and Latin America** with this report's examination of patent protection issues and legislative changes affecting CRO's and CMO's in these areas.
- **Identify the synergistic capabilities of emerging partnering approaches** from this report's analysis of pilot plant production, risk-sharing and capacity-sharing.
- **Use case studies to understand the factors behind successful and unsuccessful partnering strategy implementations** and enhance your relationships with R&D contractors to optimize research productivity.
- **Avoid costly project overruns and delays with this report's risk minimization recommendations** for intellectual property, personnel churn and industry volatility in CRO and CMO relationships.

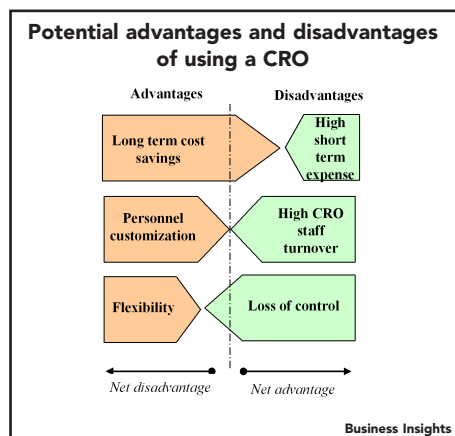
Key issues examined in this report...



"India has a relatively large and rapidly expanding pharmaceutical manufacturing capacity as a result of the country's established generic drug industry. China, however, has considerably less pharmaceutical manufacturing capacity due to its historical reliance upon traditional Chinese medicine and relatively late entry into the global pharmaceutical market..."

- **The partnership approach.** Shifting away from contract-vendor styles of relationship is crucial for biopharma companies engaged in projects with CRO's and CMO's. The partnership-centric approach is emerging as a successful alternative that consistently meets expectations.
- **Relationship management.** As pressures in the biopharma sector continue to prompt contract organization partnerships, there is a growing need for careful relationship management to diminish the risk of premature project terminations and unfulfilled objectives.
- **Industrial instability.** Contract service providers are experiencing increased industrial consolidation, lay-offs, job switching and M&A activity. Long term partnerships are growing in importance as a means to survive such developments and reduce potential losses in relationship capital.
- **Emerging markets.** The rise of CRO's and CMO's in emerging markets such as India, China and Latin America will offer potential cost-savings far greater than those of U.S. and European contractors. However, a host of cultural and other challenges must be addressed in order to develop and maintain successful relationships.

Your questions answered...



"The usage of CROs to conduct all or part of the pre-clinical and/or clinical testing of a drug candidate has both advantages and disadvantages, depending upon the particular characteristics of the sponsor company, CRO and drug candidate. Most of these pros and cons are closely related, such that an advantage can become a disadvantage, or vice versa, depending upon the characteristics of the situation..."

- Why are partnerships becoming increasingly desirable for drug developers?
- Which types of CRO and CMO partnering relationships will expand the most over the next five years?
- How can partnering relationships help to reduce risks in research and manufacturing?
- What are the obstacles to establishing successful relationships with offshore contractors?
- Which emerging partnership trends are crucial to organizational agility and competitiveness?
- What strategies are being employed by smaller CRO's to compete with full-service groups?

Sample Information: 'Optimizing Partnerships with Contract Organizations'

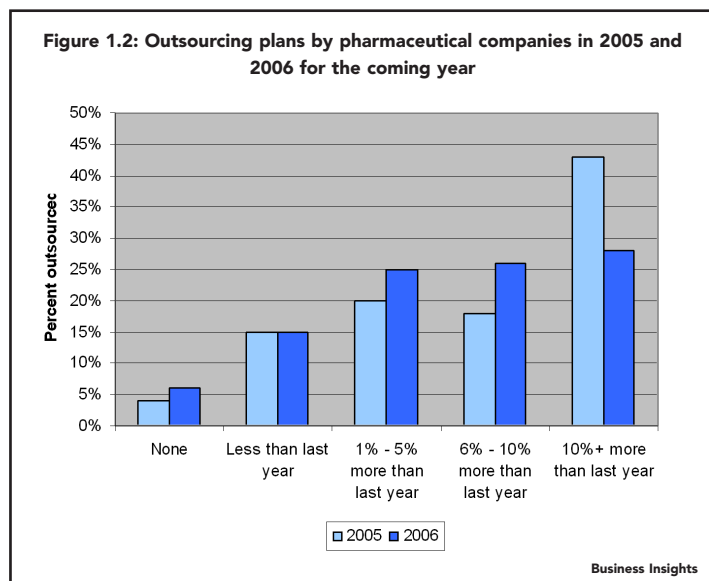
Chapter 1: Pharmaceutical Outsourcing Today

Degree of outsourcing

For drug developers around the world, outsourcing of both R&D and manufacturing continues to increase, although the manner in which outsourcing decisions are made and the form that outsourcing takes can vary.

Level of utilization

Because of the broad range of skills required to bring a novel compound to market, drug developers have always relied, to a greater or lesser extent, on contract service providers, since even the largest, most financially stable pharmaceutical companies often do not have sufficient resources to build some skills in-house. This is particularly true since ongoing cost pressures in the industry have led to cost containment initiatives and downsizing at many companies.



These financial pressures have led to ongoing growth in the utilization of outsourcing, according to outsourcing surveys conducted by Contract Pharma in 2005 and 2006. The surveys found that in both years, the proportion of respondents who planned to increase their usage of outsourcing by 1% to 10% increased over the prior year, although the proportion of companies increasing their outsourcing by more than 10% declined in 2006. This likely reflects a brief pull back in the strong growth of outsourcing, but is not expected to constitute a long term trend. Overall participant responses are shown in Figure 1.2.

The strongest growth in outsourcing is projected to arise from emerging biopharma companies, followed by small and mid-size drug developers and big pharma, according to the Contract Pharma surveys. 47% of participating emerging biopharma companies said they would increase outsourcing by 10% more than the previous year, with 27% of small and mid-size pharmas and just 15% of large drug developers offering the same response. With this strong and rising demand, it is now possible to outsource all functions involved in drug discovery, pre-clinical and clinical development, manufacturing and distribution. A single drug developer may utilize the services of many different contract service groups. For example, it may outsource the process of discovering novel therapeutic molecules to several external organizations, including academic institutions, biotechnology companies and technology specialists with expertise in discovery and screening.

Order this report today to find out more...

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