

How can pharmaceutical and life sciences companies strategically engage global outsourcing?*

To be competitive in a highly volatile global market, pharmaceutical and life sciences companies must answer these questions:

- Are outsourcing and off-shoring R&D and manufacturing operations strategically appropriate for my company?
- Is my current outsourcing strategy cost-effective and yielding maximum ROI?
- Are we well prepared with access to the right tools to evaluate our potential outsourcing partners?

In an atmosphere of declining research and development (R&D) productivity, mounting pricing pressure and changing regulatory requirements, global pharmaceutical and life sciences companies face increasing challenges to achieve and maintain profitable growth. Global pharmaceutical outsourcing offers companies an opportunity to face these challenges. By forming strategic relationships with outsourcing partners, companies can focus on core competencies, access specialized expertise, achieve cost-saving benefits and reduce burn rates that lead directly to greater shareholder value.

Pharmaceutical outsourcing trends and key drivers

Over the past two decades, the outsourcing of R&D and manufacturing processes has become increasingly prevalent, and is now a major trend in the pharmaceutical industry. Pharmaceutical companies have moved up the value chain for outsourcing from non-core functions, such as IT and Human Resources, to secondary core functions, such as R&D and manufacturing. Key drivers behind the trend include:

Time-to-Market – Even a small reduction in drug development time can yield substantial cost savings and significant benefits. Rising product development costs and limited internal resources often constrain pharmaceutical companies from expanding their product development pipeline. Contract research or contract manufacturing (CRO/CMO) partners help eliminate bottlenecks, provide immediate access to advanced technologies and, ultimately, help reduce development cycles and time-to-market.

Cost Advantage – CRO/CMO service globalization offers significant cost advantages. Regions such as India and China are becoming popular locations for pharmaceutical outsourcing, offering capable services at a lower cost. Through outsourcing, companies also avoid or postpone significant capital investments, thus reducing drug development costs.

Risk Management – Developing new drugs carries more risks and is costlier than ever. Many leading pharmaceutical companies are entering into risk-sharing outsourcing partnerships to lower their operation risks by sharing management and financial responsibilities. Through proper risk management, outsourcing enables companies to expand their R&D pipelines and provide a greater chance for a product to ultimately reach launch, thereby lowering overall business risks.

Strategic Focus – As outsourcing relationships mature, companies shift their outsourcing strategies from pure vendor-buyer relationships to business alliance relationships. This often increases the likelihood of establishing successful, stable business relationships, improving outsourcing processes and internal resource planning, and reducing overall business risks.

How can PwC help your organization?

PwC's pharmaceutical outsourcing professionals bring in-depth industry experience and global market knowledge to support your outsourcing needs by providing a full suite of services across each phase of the outsourcing lifecycle.

- **Strategy Alignment:** How to evaluate risks and benefits in an outsourcing strategy
 - Facilitate outsourcing requirements gathering processes
 - Perform outsourcing risk assessment
 - Conduct macroeconomic research for targeted countries/regions
 - Create an outsourcing plan for desired business objectives
- **Partnership Selection:** How to select a CRO/CMO partner to meet short- and long-term business goals
 - Identify, interview, analyze and screen potential partners
 - Perform technical and financial due diligence
 - Coordinate and manage due diligence site visits
- **Outsourcing Transaction:** How to form and maximize the value of business alliances
 - Develop request for proposal (RFP) and manage selection process
 - Establish contract agreement process and manage contract negotiation
 - Provide tax advisory service for maximized benefits
- **Operational Transition:** How to effectively manage change and outsourcing implementation
 - Develop service management function
 - Manage outsourcing transition
 - Manage communication and organizational change management
- **Partnering Optimization:** How to achieve continued success through proper outsourcing governance
 - Perform periodic risk and compliance audit
 - Benchmark operations and identify gaps for improvement
 - Optimize existing arrangements

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Why PricewaterhouseCoopers?

- PwC provides solid, independent insights into identifying, selecting and working with global outsourcing and off-shoring partners.
 - PwC helps you save money and time evaluating and implementing global outsourcing partnering by using our established database and proven methodologies.
 - PwC has trusted global advisors with deep pharmaceutical industry knowledge and experience and with strong local industry connections.
- PwC delivers an actionable road map for your outsourcing and can provide post-transaction service.
 - Relationship management
 - Change management
 - Business process excellence
- PwC provides multifaceted advisory services for the entire global outsourcing and partnering process – tax advisory, financial due diligence, deal structuring, risk management and compliance.

About PricewaterhouseCoopers

PricewaterhouseCoopers' Global Pharmaceutical and Life Sciences Industry Group is dedicated to delivering effective solutions to the complex business challenges facing pharmaceutical and life sciences companies. We have extensive experience working with companies on industry-specific strategic, operational and financial issues. Our expertise includes assurance, tax and advisory services, as well as specialized capabilities in regulatory compliance, risk management, performance improvement and transaction support. In helping our clients, we draw on the full knowledge and skills of the firm's professionals. More than 130,000 people in 143 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.