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## SUPPLIER STRATEGIES

# Strategies for Becoming a Preferred Provider A Contract-Service Provider Roundtable

Moderated by Angie Drakulich

**T**his special supplement to *Pharmaceutical Technology* acknowledges the growing emphasis throughout the pharmaceutical outsourcing arena on being a strategic, or preferred, provider. We gathered input from leading contract-service providers to understand the drivers behind this trend and how it's affecting outsourcing.

### Drivers behind supplier consolidation

**PharmTech:** There seems to be an overall trend in recent years by pharmaceutical companies to consolidate their supplier base (i.e., to work with fewer and more strategic suppliers). Have you observed this trend, and if so, what factors are driving the change? Are large pharmaceutical companies primarily pursuing this business model or is it prevalent among smaller drug companies as well?

**Eyre (Baxter):** We're in the midst of a great deal of change in the global economy. Pharmaceutical companies are assessing the effectiveness of their strategies with limited resources, while still achieving the commercialization objectives for their pipeline. Regardless of the company size, use of external resources has long been embraced as an effective strategy to gain efficiency and flexibility, but we have seen a shift from the utilization of service providers to the integration of service providers. In the past, utilization of external vendors was driven by the perception that service providers were essentially interchangeable. This perception is why so many pharmaceutical companies maintained ties with a large number of service providers for long periods of time. Coupling the economic crisis with the increased scrutiny on oversight of partners, managing multiple suppliers proves to be a costly and complex task that is no longer viable. Therefore, the adoption of supplier management standards and increased need of a broader set of services from a consolidated set of strategic partners is occurring.

Within the sterile drug-manufacturing marketplace, in particular, manufacturing is capital intensive. As a result, many companies have chosen to access this competency by partnering with a supplier that has a demonstrated track record within the specialized manufacturing process to avoid investments in this aspect of commercialization. This is especially true of certain types of molecules, such as cytotoxics or highly potent compounds, which have considerable containment and safety standards. In addition, by selectively partnering with a supplier with a broad portfolio of solutions, companies gain access to a range of options across a product's life cycle.

In our experience, there continues to be an understanding that external partnerships provide the most value when objectives are clearly understood and aligned. This allows the service provider to elucidate the objectives of the partner and provide tailored and applicable solutions. This mindset dictates a closer working relationship so that the most value is provided to each party. Because of this increased commitment, the logical extension of this philosophy has been a reduction in the number of relationships maintained among pharmaceutical companies and their partners.

### Preferred provider–sponsor company relationships

**PharmTech:** From a contract-service provider perspective, how has supplier consolidation affected the pharmaceutical contract environment, including the expectations and nature of the outsourced relationship? When a contract service provider becomes a so-called preferred provider, how might its relationship with the sponsor change?

**Eyre (Baxter):** A strategic relationship requires an increased level of commitment from both parties. In our view, this needs to be considered as an investment by both parties with the goal of establishing a relationship that provides both organizations with additional value. These types

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of relationships are not simple and require a high degree of experience and knowledge, as well as clear communication practices to ensure proper alignment of goals.

What hasn't changed despite the trend is the fact that pharmaceutical companies still have clear commercialization objectives and are focused on results. Therefore, delivering on commitments—whether development milestones or commercial-scale manufacturing targets—is crucial for creating mutual reliability in such a collaborative relationship. We see pharmaceutical companies seeking more assurance that their projects will be managed diligently, and service providers providing support to

**“Managing multiple suppliers proves to be a costly and complex task that is no longer viable.” — Brik Eyre, general manager of Baxter's BioPharma Solutions business**



maintain budgets, timelines, and quality. As the partnership evolves, it becomes increasingly synergistic and both parties realize increased benefits by periodically revisiting alignment of strategies and goals.

For the preferred-provider model to be successful, increased attention must be paid to metrics. New metrics may be needed to assess the effectiveness of the partnership and provide data that can be used to drive mutual continuous improvement.

### Crucial success factors

**PharmTech:** What does it take to be a preferred provider? What would you identify as the critical success factors?

**Eyre (Baxter):** A contract service provider has to demonstrate a proven track record in three key areas: delivery (i.e., the expertise and ability to deliver on commitments); service (i.e., a robust customer-centric philosophy and committed, engaged project teams); and integrity (i.e., a culture of “doing the right thing” that fosters confidence in the partnership). Trust and reliability are the foundation of any partnership. And in the most effective partnerships, each party contributes unique services, expertise and technology.

Within Baxter's BioPharma Solutions business, we have a systematic approach to partnerships that starts from project initiation through the mature phase of a project through conclusion. All aspects require diligent alignment of expectations and monitoring of critical success factors. We

have increased our investment in customer-service training and certification programs for our project managers, built communication-sharing tools, and developed improved metrics-tracking programs to better enable our teams to meet the needs of our clients and produce optimal results.

### Evolving business models

**PharmTech:** Has your business model evolved in response to changing market conditions? For example, to fit a preferred-provider model, has your company changed its range or type of capabilities?

**Eyre (Baxter):** We continuously monitor market data and other intelligence to better understand changing market conditions for our clients, but we also gather feedback from our current clients. This allows us to identify ways for us to provide new solutions, and presents opportunities for us to be a better partner.

For example, the development of a new sterile injectable product comes with specific challenges that a contract service provider can help solve, including formulation optimization, lyophilization development, and clinical-scale manufacturing. The needs and potential solutions change as the molecule moves through the development phases toward regulatory submission, manufacturing scale up, launch, and patent expiry. As the product nears the end of its maturity, the potential for enhanced delivery systems may offer a means to achieve life-cycle management objectives. This range of potential solutions within a single service provider reduces complexity for the pharmaceutical company and has increasingly become a factor in their decision-making process.

### Future of outsourcing

**PharmTech:** Looking ahead five years from now, how do you see the model for outsourcing evolving?

**Eyre (Baxter):** We anticipate an ongoing trend toward increased integration of service providers into pharmaceutical companies' commercialization strategies. Pharmaceutical and biotech companies of all sizes are searching for effective ways to increase sales and control costs. In many cases, these goals can be maximized by partnering to access resources and expertise that exist outside of their own organizations. To make the most effective use of these external services, companies should partner with service providers that are organizationally skilled in managing collaborations and have proven to be reliable. Service providers that are able to effectively assess, harness and maximize relevant resources within both organizations will be in a position to provide superior value for their partners and will likely see growth. On the other hand, this is a difficult paradigm shift and it's not likely that all providers will be able to withstand the change. Those partners that are able to consistently deliver on their commitments, while at the same time providing access to relevant services and capabilities over a range of product life-cycle needs, will survive and thrive.