

Manufacturing and Supply Chain IT Outsourcing: The Life Science Buyer's Guide to Vendor Selection

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About Our Speaker

- Eric Newmark
- Research Manager
- Lead analyst for Health Industry Insights' *Business Systems Strategies* advisory service
- Research expertise includes:
 - Channel management
 - Supply chain evolution
 - E-pedigree
 - RFID
 - Identifying emerging technologies and market trends
- Holds a BS in MIS and Finance from Babson College
- Holds an MBA from Boston University School of Management, with certification in Strategic Business Analysis



Health Industry Insights

- An IDC Company
- Premier global research and advisory firm in the health industry providing integrated coverage of the life sciences, healthcare providers, and health plan payers.
- Focus on the convergence of IT, business and science
- Staff of life science and healthcare specialized analysts, researchers & consultants
- Target audience includes:
 - Pharmaceutical & Biotech companies
 - Healthcare Providers
 - Payers
 - Health Industry Vendors
 - Technology Vendors



IT Outsourcing – Topics for Today’s Discussion

Some of the questions we’ll take a look at today include:

- How significant is IT outsourcing within life science manufacturing and distribution?
- What is driving its growth? What benefits are companies seeking from IT outsourcing?
- Who are the major IT outsourcing providers servicing the life science manufacturing and supply chain market?
- What type of criteria should companies use when evaluating vendors?
- How do the vendors stack up? Who are the market leaders?

Situation Overview

Market forces:

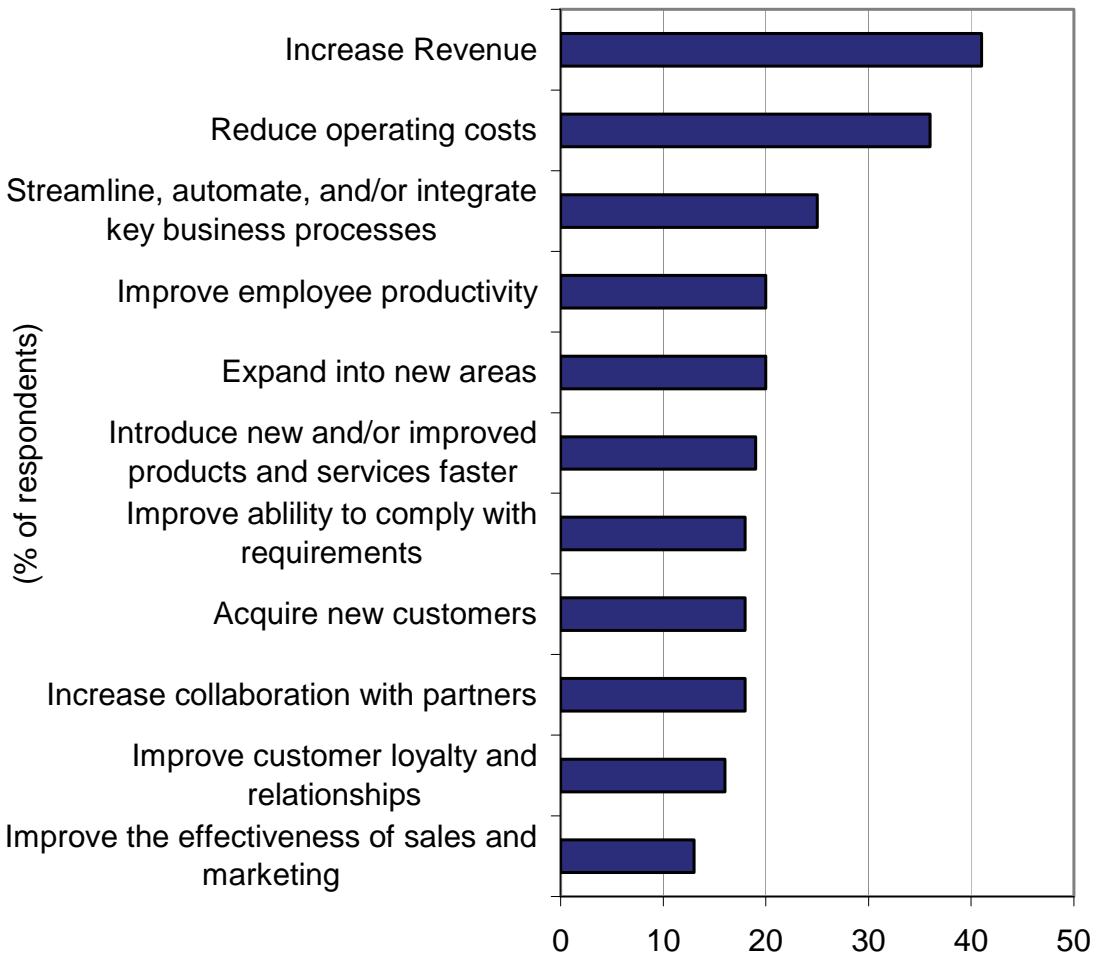
- Diminishing blockbuster model
- Shrinking product pipelines
- Expiring drug patents
- Increasing generic market share
- Downward pressure on drug prices
- Increasing drug development costs
- Increased compliance spend

Industry reaction: Companies look to re-establish margin via:

- Application consolidation/rationalization
- Virtualization
- SOA
- COTS
- IT Outsourcing

Top Reasons for IT Outsourcing

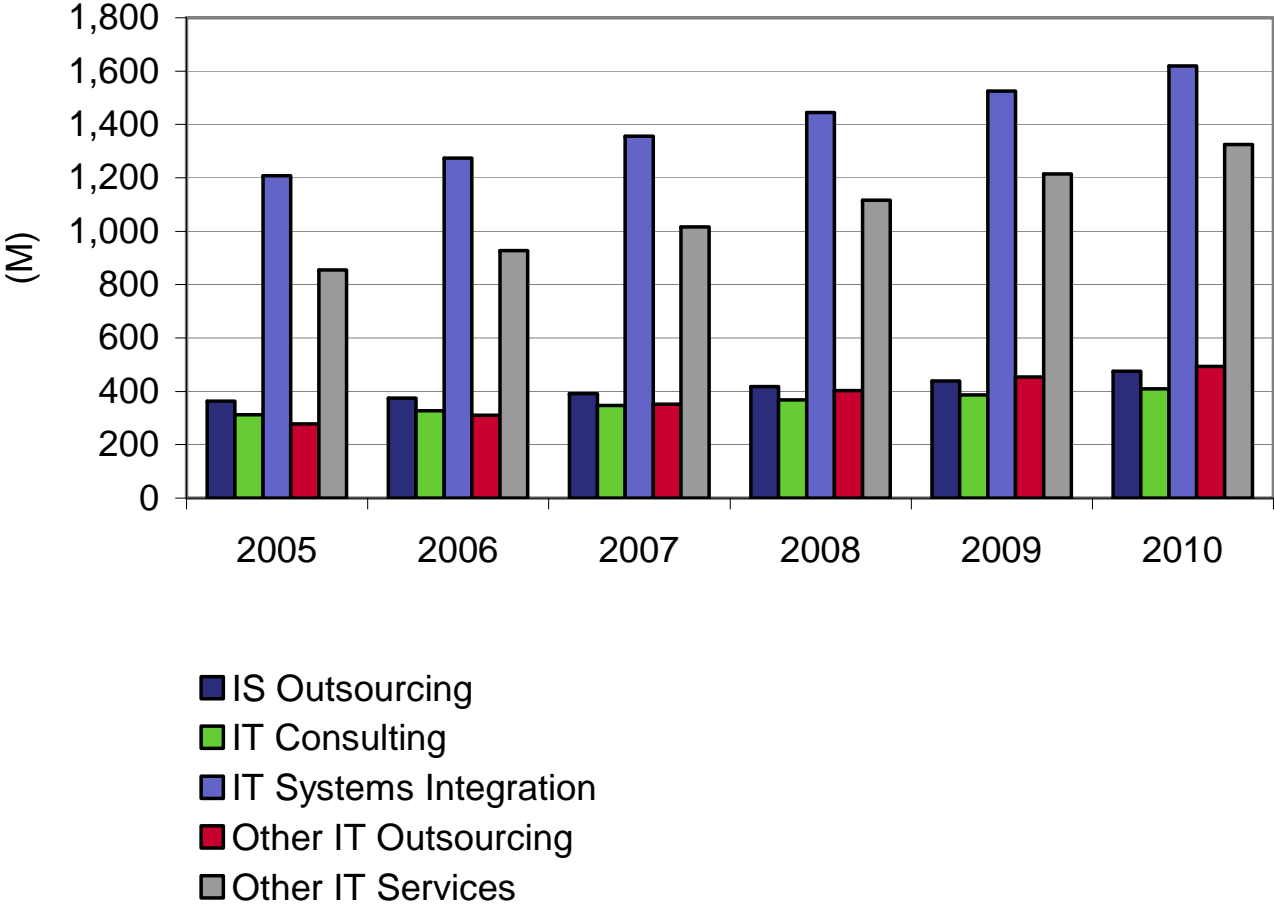
Q. Which of the following most accurately describe your organization's reason for outsourcing IT?



N=100

Notes: Multiple responses were allowed

U.S. Pharmaceutical IT Services Spend



Source: HII Worldwide Life Sciences Spending Guide

Manufacturing & Supply Chain IT Outsourcing

- Historically a backburner topic
- Has reemerged as opportunity area
- IT outsourcing driven by need to:
 - Reduce manufacturing costs through Lean, Six-Sigma, etc...
 - Prepare for impending drug pedigree requirements
 - Implement track & track / item-level serialization / RFID
 - Ramp up PAT education / skilled staff
 - Consolidate LIMS, improve interface capabilities

2008-2009:

- 48% of industry outsource manufacturing/supply chain IT
 - 38% of industry (nearly 80% of current outsourcers) plan to increase IT outsourcing over next 12 months
- 16% of industry plans to begin IT outsourcing for first time

Methodology

Buyers Guide Philosophy

- Proper vendor selection is unique to each situation, no vendor is one size fits all
- Decision factors include:
 - Company size, budget, timeline urgency, geographical location, language needs, etc...

Research Process

- Top 12 vendors invited to participate
- Vendor requirements:
 - Detailed questionnaire about company and services
 - Briefing on services offered, market strategy, and customer engagements
 - Customer references

IT Outsourcing Vendors

Study participants:

- CapGemini
- Cognizant
- HCL
- IBM
- Infosys
- Intelligroup
- Persistent
- Satyam
- TCS
- Wipro

Declined participation:

- Accenture
- L&T Infotech

Evaluation Criteria

Vendors compared and contrasted across 4 major categories:

- Industry Expertise
- Delivery Expertise
- References and Customer Satisfaction
- Business Strategy

Experience evaluated on 22 application/functional-specific areas

- Supply chain monitoring/visibility, data warehousing, business intelligence/dash-boarding, demand forecasting, customer/supplier portals, sales and operations planning (S&OP), ERP, shop floor systems, warehouse management, transportation management, PLM, data mining/analytics, strategic sourcing, data management, data integration, contract management, drug claims reconciliation (chargebacks and returns(financial side)), product returns (inventory side), PAT, LIMS, track and trace/serialization, and RFID

Industry Expertise

Life science-specific industry expertise was evaluated on both quality and quantity, including:

- Number of years serving life science customers
- Total workforce size
- Life science-specific dedicated resources
- Functionally focused vs. technically focused resources
- % of employees hired from industry (previously worked at pharma / biotech / medical device company)

Resulting Ranges:

- % of dedicated FTEs from industry: 2% - 100%
- # of dedicated FTEs: 4 – 4775 FTEs
- Years serving life sciences: 6 – 25 yrs

Delivery Expertise

Delivery expertise evaluates the customer base of each vendor, by examining:

- Total number of life science customers
- Total number of life science projects/engagements
- Customers by
 - Geography
 - Company size
 - Industry segment
- Vendor service mix of application outsourcing, infrastructure outsourcing, data storage outsourcing, systems integration work, business process outsourcing (BPO), and strategic consulting.
- Vendor project-specific experience across 22 manufacturing and supply chain application/functional areas.

References and Customer Satisfaction

Evaluation of customer satisfaction from prior engagements

- Vendors asked to submit 2 customer references
- HII sought additional references independently

Customers asked to rank vendors on:

- Project management capabilities
- Technical skills
- Life science-specific industry expertise
- Customer service / account management capabilities
- Level of value delivered to customer's organization
- Overall satisfaction with vendor

Business Strategy

Evaluation of vendor's market approach and projected long term success based on the speed at which they are expanding and how heavily they are investing in their own future. This category examines:

- % of total revenue that comes from the life sciences
- % of life science revenue that comes from manufacturing & supply chain projects
- Projected internal investment (budget increase) for the life sciences (including employees, sales, marketing, new locations, etc...)

Resulting Ranges:

- | | |
|--|------------|
| – % of total revenue obtained from life sciences: | 2.4% - 24% |
| – % of LS revenue from manufacturing/supply chain: | 5% - 70% |
| – Planned LS budget increase: | 11% - 100% |

Highlights of Study Results

Industry Expertise

- CapGemini ranked 1st in industry expertise
 - Most dedicated life science-specific full time employees hired directly from the life science industry
 - Received highest industry-specific expertise ratings from customer references
- IBM 2nd, TCS 3rd

Delivery Expertise

- Cognizant ranked 1st in delivery expertise
 - Highest number of previous engagements in the life science manufacturing and supply chain space
 - Offers the widest array of life science manufacturing and supply chain services
- IBM and Satyam placed second

References and Customer Satisfaction

- Cognizant ranked 1st in customer references
 - Highest customer rankings for both overall satisfaction and overall value delivered
- Intelligroup and TCS placed second

Business Strategy

- Intelligroup ranked 1st in strategic industry focus
 - Largest percentage of revenue coming directly from life science manufacturing and supply chain work
- Cognizant 2nd , Satyam 3rd

Essential Guidance

Topics of importance to be discussed with your IT outsourcer:

- Dedicated resources
- Onshore/onsite resources
- Audit trails
- Data security
- Industry experience / customer references
- Proven ability to create value, top & bottom line

Data included in the report comparing each vendor includes:

- # of dedicated (life science only) FTEs
- # of dedicated FTEs that came from the life science industry
- Dedicated FTEs: % functionally focused vs. % technically focused
- # of additional affiliated (non life science specific) FTEs
- # of years vendor has served life science customers
- Total # of life science customers, broken out by pharma, biotech, and med device
- Customer base broken out by company size (annual revenue)
- Customer base broken out by geography
- Functional engagement breakdown (application outsourcing, infrastructure outsourcing, data storage outsourcing, systems integration, BPO, strategic consulting, other)
- Number of previous engagements for each of the following 22 functional areas:
 - Supply chain monitoring/visibility, data warehousing, business intelligence/dash-boarding, demand forecasting, customer/supplier portals, sales and operations planning (S&OP), ERP, shop floor systems, warehouse management, transportation management, PLM, data mining/analytics, strategic sourcing, data management, data integration, contract management, drug claims reconciliation (chargebacks and returns(financial side)), product returns (inventory side), PAT, LIMS, track and trace/serialization, and RFID
- Customer reference rankings for project management capabilities, technical skills, life science specific industry expertise, customer service/account management capabilities, level of value delivered to customers, overall satisfaction
- % of total revenue that comes from the life sciences
- % of life science revenue that comes from manufacturing & supply chain IT projects
- Projected increase for life science budget / practice investment over the next 12 months

Questions?

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*For information about Health Industry Insights,
please contact your sales representative or*

Amber Gracey

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Recent Research

- **Life Science Buyers Guide: Manufacturing and Supply Chain IT Outsourcing**
 - Document # HI212871 Published July, 2008
- **IMany Launches Assault on Revenue Leakage with 6.1 Release**
 - Document # HI213444 Published July, 2008
- **Notable News in the Life Sciences: 2Q08**
 - Document # HI213377 Published July, 2008
- **The Power of Familiarity: TranSenda Takes on CTMS**
 - Document # HI213286 Published July, 2008
- **Progress on ePrescribing: An Industry Merger and a DEA Announcement**
 - Document # HI213279 Published July, 2008
- **Thinking Forward: A Revolutionary Model That Delivers Value and Market Opportunity for Personalized Medicines**
 - Document # HI213267 Published July, 2008

Eric Newmark will soon publish:

Life Science Buyers Guide: Sales and Marketing IT Outsourcing;
to be personally notified when the report is available, email Amber Gracy at agracey@healthindustry-insights.com

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