



Life Sciences in a Time of Stress

A Reckoning in the Aftermath of COVID



In a world turned upside down by the global pandemic, the life sciences industry rose to meet unprecedented challenges, developing the diagnostics, vaccines, therapeutics, and patient services needed to care for our populations worldwide. With this surge came innovation and capability expansion, demonstrated in the industry's organic and inorganic growth. We didn't just arm ourselves against COVID with our actions – we advanced our overall industry.

But what now?

The inflow of COVID investment resulted in rapid diligences and hasty acquisitions— sometimes “sight unseen” by usual standards, integrations in rapid sequence or left unfinished in a push to consolidate assets under one roof, and careless internal spending as companies, and the world, focused externally.

Now, with persistent inflation and acquisition targets less plentiful, the life sciences industry is contemplating a more conservative future. Many companies that view the aftermath of their expansions and acquisitions don't like what they see as they survey the battlefield. Their scales of growth and cost have been knocked out of balance, and profitability is suffering. In a July 2022 survey, KPMG found that among the senior HCLS leaders who said their companies already have plans to navigate a recession, more than 70 percent are considering cost-out or margin improvement efforts. While growth and innovation are critical to meeting patient needs – and happen to exhilarate investors – they also have costs.

The pandemic hangover comes with ballooning manufacturing and supply chain expenses. Many internal R&D programs have starved as companies have focused on their new conquests. Commercial infrastructure is bloated in some areas and too skinny in others, heading for product launches that are destined to be lackluster. This is all wrapped into a global market which had to retreat to regional fiefdoms over the last 2 years.

Meanwhile, amassing the right talent is increasingly difficult. Growth has escalated the demand for specialized PhD and MD resources in key functions like R&D and Medical Affairs, outpacing the talent supply in many areas. Finding more efficient, digitally-enabled operations will be critical to sustaining growth, helping these functions do more with their constrained resources.



Performance improvement trends for a new reality

Across the life sciences sector, we see examples of companies finding ways to re-balance cost and growth without sacrificing innovation, along a continuum of R&D, supply chain, and commercial performance.

R&D	Supply Chain	Commercial
<ul style="list-style-type: none"> • Leading developers are aggressively prioritizing their development pipelines, assessing externally sourced opportunities alongside in-house innovations • Clinical trial modernization continues to accelerate, driven by digital patient enrollment and decentralized trials • Data science and analytics have taken even greater importance in drug development, including clinical trial design and analysis 	<ul style="list-style-type: none"> • Contract manufacturing capacity and capabilities have expanded, offering much needed flexibility and resilience • Reliability initiatives emphasize supplier relationships (often redundant) and local supply chains • Manufacturing technology innovations drive down cycle time and cost in emerging areas such as cell and gene therapy 	<ul style="list-style-type: none"> • Effective selling increasingly depends on science and insights, raising the importance of a capable Medical Affairs function • Reconfigured go-to-market models are improving customer experience while delivering sales coverage efficiencies • Digital tools are reshaping product launches through more agile patient engagement • Non-core assets are aggressively divested to reduce cost or reinvest in higher priorities
<p>Example:</p> <p>A global pharmaceutical firm conducts remote clinical trials in diabetes, partnering with a glucose meter innovator to upload measurements and provide real-time availability of results. Over 4/5 of patients that indicated initial interest successfully complete the trial.</p>	<p>Example:</p> <p>Innovative pharmaceutical manufacturing platform company offers a novel system for more efficient and effective cell processing for targeted therapy manufacturing, delivering 50% reduction in total production costs for autologous cell therapies.</p>	<p>Example:</p> <p>The oncology franchise of a global pharmaceutical company reorganizes its commercial team structure from brand-based to one based on tumor type, improving customer engagement and eliminating coverage overlap. Reduces number of commercial teams by over 30%.</p>
<p>80%</p> <p>patient completion of remote clinical trials</p>	<p>50%</p> <p>reduction in production costs</p>	<p>30%</p> <p>less headcount required</p>

A call to action

How will you answer this call to action and take new steps to drive profitable growth? Consider the following goals for your organization and actions to take:

1 Drive value in your business by conducting a thorough assessment of near-term opportunities to improve profitability – you may be surprised

2 Build your future organization when you grow, and do it smartly; don't just hire talent

3 Achieve maximum impact by prioritizing your R&D programs, selectively building operational capabilities, and reconfiguring commercial teams

4 Realize value in every acquisition by beginning with a clear understanding of profitability in the new enterprise

Waiting is not an option – your next Phase 1 candidate may someday be a blockbuster, but it can't save you right now. New ways of working are needed to rediscover balance and profitable growth in this time of stress for the life sciences sector.

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