

## ■ OUTSOURCING

# 2013 Trends in Outsourcing

*The new year offers new opportunities to contract manufacturers and their clients.*

■ **By Jonnatha Mayberry, Associate Editor**

The evolution of outsourcing in the pharmaceutical industry is not unlike city growth: New developments happen slowly, but the small expansions eventually lead to big changes.

Throughout 2012, contract manufacturing organizations (CMOs) and contract service organizations (CSOs) have reevaluated compliance standards, consolidated, and gone through both specialization and diversification. Meanwhile, outsourcing has continued to increase in popularity, as manufacturers have found new reasons to use contract services.

To better understand the changes that the industry has experienced over the year and how these developments may in-

known," explains Alisa Wright, chief executive and compliance officer at BioConvergence LLC, which offers supply chain services, production, and development and testing. "Will it significantly change the consumption patterns of our end customers and their healthcare providers? If so, in what ways?"

### SPECIALIZATION & DIVERSIFICATION

We asked the experts whether they have observed the industry becoming more specialized or more diversified in response to recent developments. Overall, it seems that the contract services industry is taking different approaches, with

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fluence outsourcing in 2013, Pharmaceutical Processing spoke with companies that offer a variety of contract services to the pharmaceutical manufacturing industry.

### NEW DEVELOPMENTS

When it comes to notable changes to the outsourcing industry, compliance has recently been an important issue. "I think the recent consent decrees at some of the large global pharmaceutical companies have been a real wake-up call to the greater contract services industry," explains Tee Noland, senior vice president of sales and marketing at Pharma Tech Industries LLC, which offers both manufacturing and packaging services. "Now more than ever, contract manufacturers are looking internally to make certain that they are compliant throughout their service offerings."

According to Noland, "This also has created a backlash with many consumers of contract services for more of a 'belts and suspenders' approach to quality and compliance systems." Noland explains that this recent trend has also highlighted a need for a balanced approach: "While it's hard to argue the importance of compliance, it is still important for contract manufacturers to find the difficult balance between cost and compliance so they can remain competitive."

In addition to consent decrees, the Affordable Care Act is another new development that creates questions about the future. "The impact of the new healthcare act remains truly un-

some companies choosing to become more focused and others deciding to branch out.

"Larger CMOs and CSOs are diversifying by delivering more services desired by large pharma, while smaller CMOs and CSOs are specializing but forming alliances to provide some level of diversification," observes Wright.

Noland agrees: "I think we're seeing both. On the Rx/bio-tech side of things, where technology is more critical, specialization is more prevalent," yet "On the OTC/consumer side ... there is more of a trend to have a diverse pool of capabilities to offer across different product types — especially as large global product marketers look to rationalize their supplier base."

Lesli Stasiak, global business development manager at BioConvergence, observes that while it's not always the case, many in the industry appear to be specialized. "They are often really good at development or one thing in particular, and that's their niche." However, BioConvergence chooses to employ a more diverse strategy, with four different service lines that work as a "one-stop-shop."

To this end, BioConvergence has formed an alliance with Modality Solutions, a provider of unique transport simulation services and a temperature sensitive logistics consultancy. This alliance offers an integrated service portfolio. "One thing that we're trying to do, which speaks to the alliance [with Modality Solutions] is to build a couple of different alliances,"

says Stasiek. She explains that this strategy helps clients by allowing them to be referred to as trusted partners. "We want to be a contract service provider who you can come to and say 'OK, I need this service' ... we'd like to be able to strategically identify partners so we can then say 'yes, we have a partner we can refer you to,' and it all comes through BioConvergence, so everything from a contractual standpoint and workflow standpoint is seamless for the client."

Noland believes that while both specialization and diversification can currently be found in the contract services industry, diversification is the wave of the future. "I think specialization is more of a short-term play and, over the long term, the emphasis will trend toward diversity of capabilities, vertical integration, and finding more ways to add value by simplifying the supply chain" he explains. "In essence, contract services are evolving from a relationship that is managed like a vendor to one managed more like a strategic partnership."

**WHAT'S IN THE CARDS?**

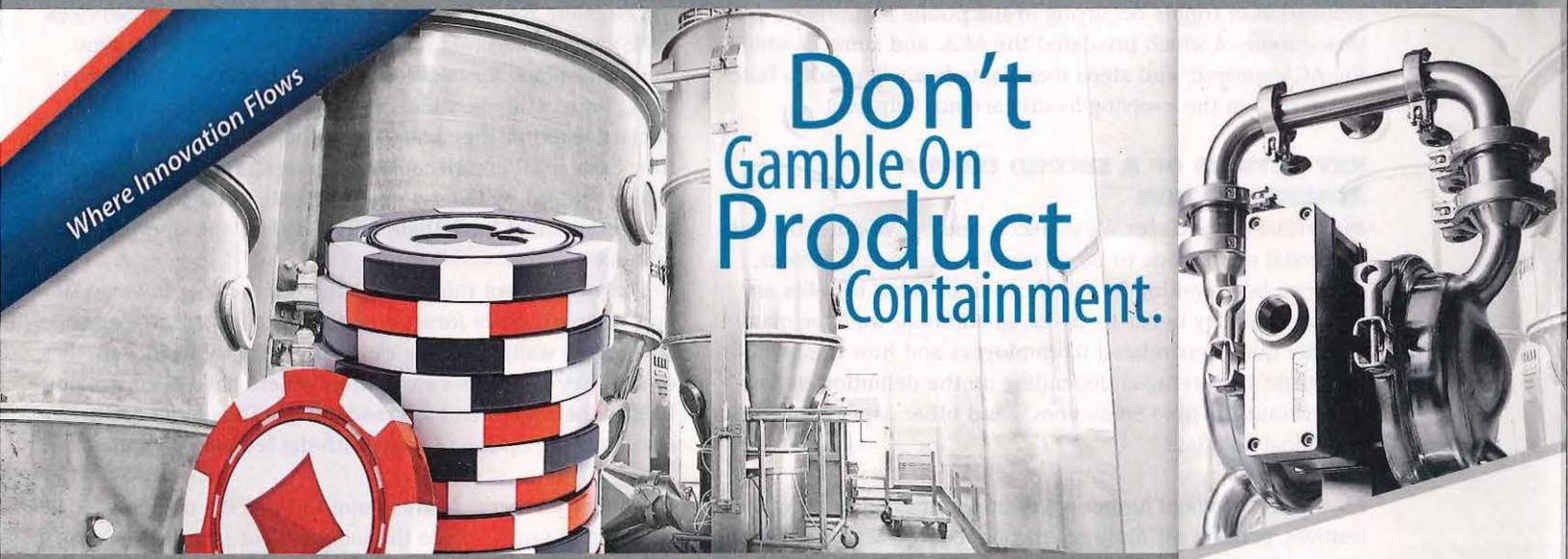
Noland says that recently, he has observed more companies wanting to put their jobs in the hands of knowledgeable CMOs. "The biggest trend I see is that global pharmaceutical companies are realizing the complexities associated with managing their own manufacturing network and, increasingly, looking to place more products with reliable, proven CMOs." According to Noland, "This helps them specialize on develop-

ing and marketing their products — a venture that typically sees a greater return on their investments than hard assets such as a manufacturing operation."

It appears that this trend toward CMO growth is likely to continue in 2013 as well. "I think pharmaceutical companies will be outsourcing more," says Stasiek. "I do know that the contract pharmaceutical services industry is supposed to grow exponentially, and that tells me that there will be much more outsourcing." Stasiek believes that this increased use of outsourcing will come from not only large pharma, "but also from some small and mid-sized companies."

Paul Harber, the alliance principal from BioConvergence's partner Modality Solutions, explains that along with this growth, the contract services industry will likely gain additional, highly experienced staff. "Everybody hears about patent cliffs and the inevitable layoffs," but "that's old news. What you see, at least in the Midwest area," is that "the expertise is now available to a wider range of clients on an affordable project basis." In the future, Harber sees these trends continuing. "You're going to have a chance for multiple alliances of varying durations, structured to the client needs. It's all about putting together a win-win relationship that benefits the patient, the client, and the service provider."

By all accounts, diversification, growth, and an influx of educated personnel seem to indicate that 2013 is shaping up to be an important year for outsourcing. ■



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