

Parexel Survey of Sponsors Finds Strategic Partnerships with CROs Yielding Positive Results

Strategic partnership agreements — multi-year, highly integrated, lucrative contracts between CROs and biopharmaceutical companies — became popular a few years ago. Now, the number of such deals is considered a status symbol for CROs.

And these deals have worked out exceedingly well for the biopharma industry, according to a new report sponsored by Parexel. Strategic Partnerships 2013 found 85% of biopharma industry executives in strategic partnerships believe the relationships between their companies and CROs were positive.

"We ourselves had been wondering if the partnerships had been working well for others, and these folks definitively said yes, they are," said Josh Shultz, Parexel's corporate vice president of strategic partnerships — a position that did not exist until three years ago.

Parexel inked one of the largest, most public strategic partnerships in March 2012, when Pfizer chose Parexel and Icon to take over the drug giant's clinical trial implementation services for five years. At the time, investment firm William Blair estimated Pfizer's research and development budget for 2012 was close to \$6.75 billion.

To attain in-depth responses to the survey — which Shultz said is the first to look this closely at partnerships — Parexel contracted with a third-party research company to conduct interviews with 26 high-level executives who collectively represented 40% of drug development spending. Three analysts also were interviewed. Questions focused on four key areas: Are strategic partnerships working? How do you view them/characterize them? How do you define them? And where are they going?

Interestingly, said Shultz, the volume of work inherent in these arrangements did not rate among the top upsides of strategic partnership agreements. Instead, those surveyed said the arrangements reduced their level of oversight, decreased fixed costs, and provided them with access to capabilities not found internally.

"We thought volume of work would have been one of the defining attributes, but that didn't really show up on the list," said Shultz.

Shultz said he was really struck by how strategic partnerships have altered the way CROs and biopharma companies interact, work together and even express themselves.

"Now they talk about 'alignment of incentives.' Five years ago, that was not a term anybody used or a concept anybody thought about," he said. "Five years ago, if we asked a company what they were concerned with in the relationship between CROs and pharma companies, they may have said something more like, 'The hourly rate of the CRA.' The relationship was much simpler. A lot of today's concepts were not on the agenda."

But the executives' responses were not all rosy. Respondents noted that today's model of strategic partnerships must evolve to meet the challenges of a constantly changing regulatory environment. When asked what they'd like to see change in the next generation of partnerships, they pointed to increased alignment in commercial incentives, deeper team collaboration, and faster time to market through improved cycle times.

One thing is certain, though: partnerships are here to stay, said Shultz.

“The pressures we’re dealing with now in our industry were more muted five years ago,” he said. “We saw them coming, but we weren’t crushed by numbers yet. In the last five years, though, we’ve realized we need to become far more efficient, and biopharmaceutical companies have realized you can’t just do that by leaning on your CROs to reduce their rates by 30%.”

Instead, he said, you have to align to lower costs and increase efficiency, and that’s what these relationships do.

The sample for the survey, which now will be conducted annually, consisted of 71% large, 12% mid-sized, and 17% small biopharma companies. The interviews were conducted in English last fall.

—Suz Redfearn

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