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IMPROVING STRATEGIC SUPPLIER DISCOVERY THROUGH TECHNOLOGY



EXECUTIVE SUMMARY/KEY FINDINGS

Procurement and sourcing are rapidly evolving to become much more strategic, with greater ability to significantly impact operational health. In response to this growing opportunity, existing processes must be reviewed and, if necessary, streamlined. Processes that are too time-consuming or inefficient could delay the creation of value for internal stakeholders seeking strong supplier options.

A survey of 40 executives who attended the ProcureCon Pharma conference in November of 2015, along with a series of supporting interviews conducted by ProcureCon, provides a close look at procurement and sourcing in Biotech and Pharma companies, specifically focused on the supplier discovery process.

The survey results indicate that significant challenges exist in the current market. For example, it takes one to six weeks just to identify qualified suppliers — which means that the subsequent proposal or bidding process can last for months. Results also indicate that part of the reason for this is that procurement and

sourcing professionals must consult multiple supplier intelligence resources to learn which suppliers are in the marketplace. They must then collect contact information, capabilities, and experience and learn about internal peer and partner experience with suppliers. Most technology has not evolved to the point where it can efficiently collect supplier information and make it easy to identify suppliers for specific needs.

Some supplier discovery resources are inexpensive and widely available (email, Internet searches), while others are more expensive (conferences, trade publications, databases). Currently, no resource collects and aggregates supplier information from internal and external peers, and yet 70% of procurement and sourcing professionals report that the most credible source of supplier intelligence comes from their internal peers. Often this information is collected during natural hallway conversations and simple email exchanges, but making it accessible and useful to other internal peers or sourcing and procurement is a challenge, and technology has not yet addressed this need.

Detailed findings from the survey include:



83% of supplier searches take **one to six weeks** (or more) to identify the right suppliers and their contact information for internal partner requests prior to initiating an RFP.



78% of respondents **share** supplier information with internal partners **in person** and **70%** share through **email**. **Only 25% said they use online portals.**



62% of the respondents indicated they have **little satisfaction** with the technology solutions they use to gather supplier information and manage category intelligence today.



70% of procurement and sourcing professionals report that **the most credible source of supplier intelligence** comes from their internal peers.

It is clear that current processes for identifying and vetting suppliers need to be improved and accelerated, and the stakes and dollar amounts are high. Since the total potential impact of procurement and sourcing is tied to the capabilities of the suppliers invited to compete for business, any technology put in place must be both intuitive and collaborative.

Implementing an improved approach for supplier discovery and evaluation will lead to more cost effective and operationally efficient procurement processes. It will also enable procurement and sourcing to have a positive impact on the corporate top line through increased competitive advantage and expanded capabilities.

PURPOSE



This white paper will explore current trends related to procurement and sourcing's evolving role in the supplier discovery process and current practices for accessing supplier information.



It will explore the ability of new technology to enable procurement and sourcing professionals to reduce the time spent identifying qualified suppliers **prior to** initiating the RFP process.



Finally, it will provide recommendations to support procurement and sourcing professionals as they provide immediate value to internal stakeholders, build stronger internal partnerships, and contribute to operational health by quickly providing the strongest supplier options available to internal stakeholders.

INTRODUCTION

Procurement and sourcing are evolving rapidly, particularly in the fast-paced, competitive, innovation-driven environment associated with the Biotech and Pharma industries. Recognition of procurement and sourcing's ability to create value – not simply reduce spend – is growing at the executive level and in the marketplace. This is true for every buyer-supplier relationship, but it is most vital during the initial identification of suppliers: before initiating an RFP process.

Approximately 70% of procurement and sourcing professionals prefer supplier recommendations that come from their internal peers. Collecting this information requires phone calls, appointments, and numerous emails because existing tools don't collect and store this valuable information in a centralized location.

The short patent life cycles in Biotech and Pharma create the requirement to quickly identify suppliers with the capabilities and experience that match their specific needs. Procurement and sourcing thus play a crucial role in the discovery and identification of the most qualified,

reliable, and innovative suppliers. Finding the right supplier during the first search is critical to saving time and expensive transition costs.

Inefficiencies exist throughout the supplier identification process because procurement and sourcing professionals must gather and synthesize information from multiple sources. Procurement and sourcing professionals have long worked to prevent this important process from being seen as a barrier to progress by their internal clients. The days or even weeks required to run an inefficient supplier identification process are detrimental to project timelines. Reducing the time required to search and identify the strongest suppliers is critical to providing immediate value and building strong partnerships between procurement and sourcing and their internal stakeholders.

Technology platforms for managing and distributing supplier information can simplify and accelerate the identification process and enrich the pool of suppliers, but these tools are not yet used on a widespread basis.

Similarly, improving ease of use and internal stakeholder collaboration/access to information can greatly simplify the process by providing fast access to a preferred supplier list and improving supplier search turnaround times.

There are many best practices that support investments in relationships between procurement, internal stakeholders, and suppliers. Supplier discovery and intelligence building is one of the processes that brings all three groups together. Use of automation and sophisticated search methods can be applied through

the combined use of 'soft' and hard metrics to measure success and achieve alignment on corporate goals – including customer satisfaction.

In the coming year, emerging technology is expected to become increasingly available to Biotech and Pharma procurement and sourcing professionals. Technologies that are simple and intuitive to use and combine peers' supplier insights with up-to-date supplier information will provide a trusted, centralized source of supplier intelligence.

SURVEY FINDINGS/RESEARCH ANALYSIS

Speeding up the Supplier Identification Process

Imagine a business world where procurement and sourcing are almost always on the same page regarding budgets, executive buy-in on resources, and alignment on specific supplier needs and requirements. Technology platforms and databases would provide actionable answers in nearly real time – one or two days—rather than the one to six weeks it can take to identify the right supplier without them.

While this process can never be fully automated, collaborative tools and technology can dramatically speed up results, increase efficiency, and save money.

Procurement and sourcing have come a long way from being identified as a 'lowest cost only' function. Their success is often defined by the strength of their relationships with internal business partners. The ProcureCon Pharma survey revealed that for 39% of procurement teams, a multi-year strategy is already in place; only 10% employ no formalized sourcing strategy at all. Meanwhile, 51% of procurement leaders create their strategy on an ad hoc basis. This suggests voluntary involvement with procurement on the part of other business leaders, creating precisely the conditions required for the organization to benefit from improved collaboration around supplier discovery and intelligence.

What is the degree to which a sourcing strategy exists?



- 51% Sourcing strategy is annual or ad hoc, on request
- 39% Sourcing strategy is multi-year and aligned with the business
- 10% A sourcing strategy does not exist

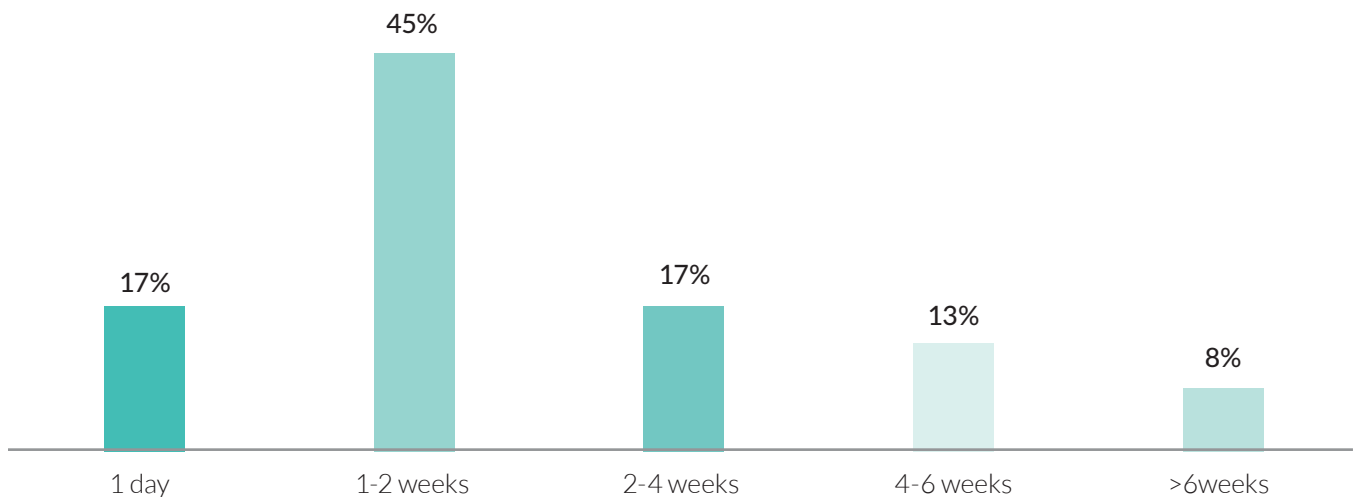
To build on this success, speed is key. According to the survey, only 17% of procurement and sourcing teams are able to source suppliers for new business initiatives within a single day. 45% of respondents said it takes one to two weeks to find and vet suitable suppliers. Another 17% said it takes two to four weeks, 13% four

to six weeks, and 8% more than six weeks. Pooling these findings tells us that over 80% of procurement and sourcing teams need more than a week to locate new suppliers. This is an unsustainable rate of response for agile companies in fast-paced industries like Biotech and Pharma.

“Sometimes by the time a group... was approved to do a project, they wanted to have a supplier yesterday.”

- Jennifer Duane, Sourcing Director at tealbook

How long on average does it take you to identify suppliers for internal partner requests?



Within the context of a fast moving business environment, a lack of immediacy in response to internal stakeholder requests for help with supplier discovery can be frustrating for procurement and the business alike. In most cases, there is pressure on teams to streamline the process of identifying and vetting suppliers, making it one of the key areas that best practices and technology can improve.

One procurement leader shared that for each day he doesn't have a product on the market, his company loses millions of dollars. Finding the right supplier quickly is absolutely critical as a source of sustained competitive advantage. Since time saved in the sourcing process is time gained for strategy, decreased turnaround time translates into shorter time to value for internal business partners and overall productivity.

“I have been engaged in sourcing as upfront as possible, but sometimes by the time a group, especially our marketing groups, were approved to do a project, they wanted to have a supplier yesterday,” said Jennifer Duane, a Sourcing Director at tealbook with extensive experience in Pharma. A big challenge that she has encountered is “when someone worked with an agency before and they wanted to bring them in and not do an RFP, and that was not what was allowed at our company. We needed to take a step back and say, ‘Yes, we can include this company but here are five other viable options that are just as good if not better with no conflicts. Here’s the contact name.’ I didn’t have the ability to immediately provide those other five supplier options for every single project that came up with five-minutes notice.”

Using Trusted Sources to Find the Best Suppliers and Create Value

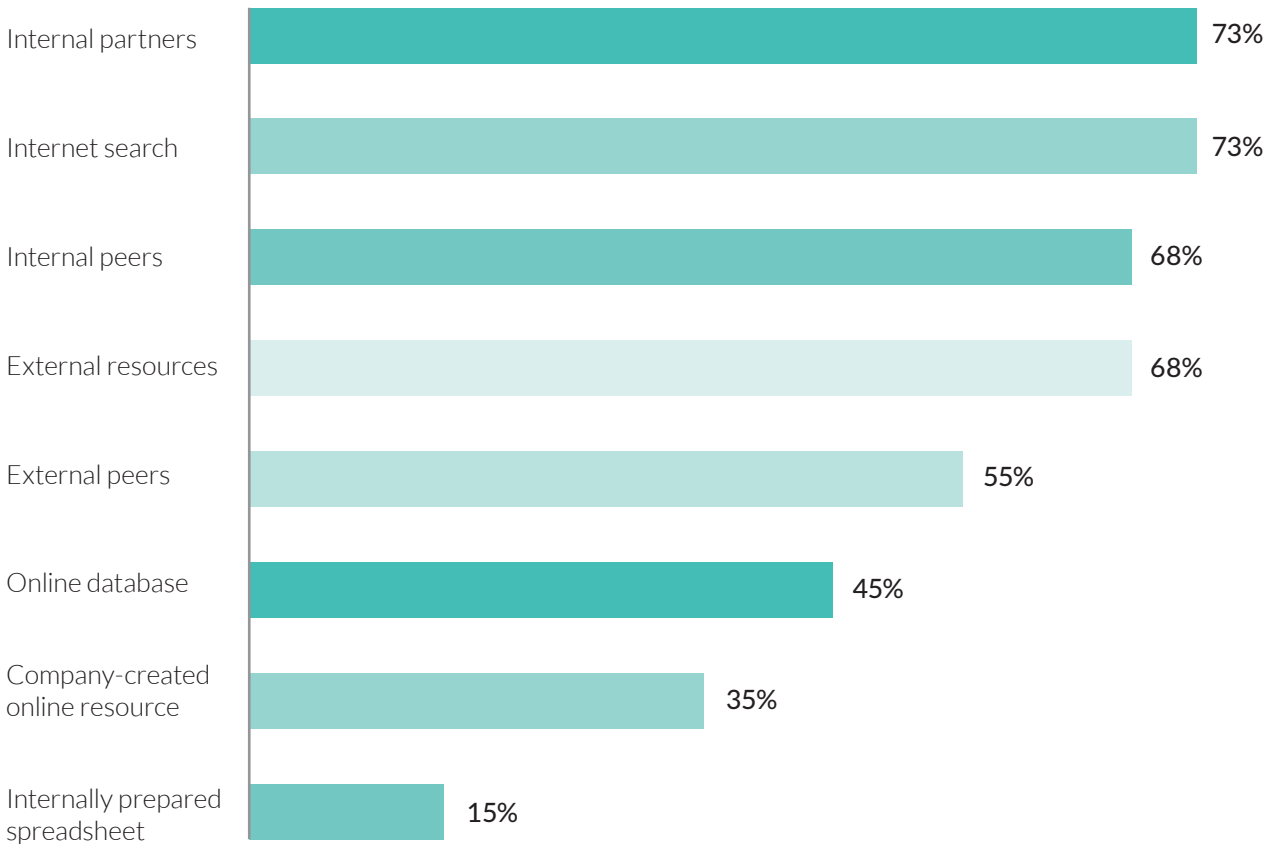
For fast paced industries, creating an effective due diligence process around identifying new suppliers is essential. Effectiveness can often compete with speed as a priority in the sourcing process, however it is vital for procurement and sourcing to adopt best practices if they are to ensure quality outcomes.

Procurement and sourcing currently rely most heavily upon the recommendations of internal partners and search engines to locate suppliers. These two methods are used by 73% of teams. The recommendations of peers within procurement and sourcing, as well as dedicated external resources such as trade magazines, are the second most common methods, with 68% of procurement teams using each, respectively.

“I have yet to find a company, and I have worked at many, where they have their own internal structured [supplier] database.”

- Mary Kachinsky, Vice President of Strategic Sourcing and Operations at **FORMA Therapeutics, Inc.**

Where do you find supplier information when conducting an RFP?

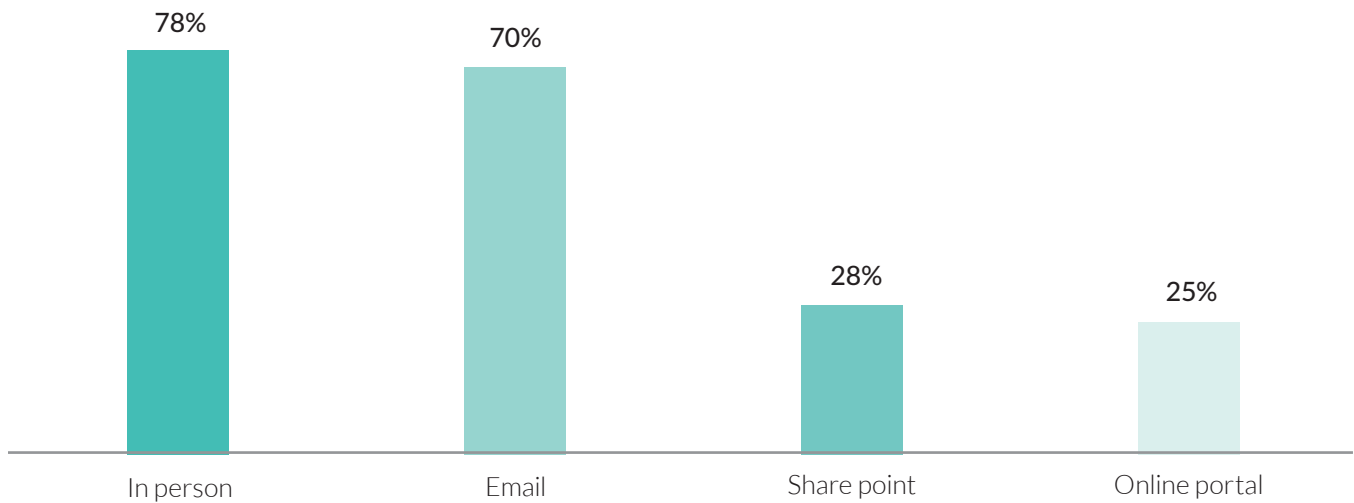


“Initial due diligence varies significantly from hours to months, depending upon many factors including data availability on the supplier, the supplier’s availability and response, the availability/completeness of third party data, and the complexity and completeness of the requirements, to name a few,” Chris Silva, Senior Director, Sourcing & Procurement, Synageva BioPharma Corp., explained. “Good category leaders tend to routinely collect this data on an ongoing basis,” Silva continued, “but there are few tools that allow this data to be shared amongst others in the organization. Most eSourcing tools tend to focus on the RFP process, or bidding/contracting tools,” he said. “Most use some type

of file structure, SharePoint. There does not seem to be a ‘procurement’ platform alternative to say a Salesforce.com CRM for the sales function to maintain relevant and up-to-date information.”

Sharing information on suppliers is most often done in person, via email, or both. 78% of procurement leaders communicate with internal partners face-to-face, and 70% use email, indicating a major overlap of these two methods. This dynamic stresses the importance of strong relationships between business leaders and the internal communication that is essential for procurement to function at peak efficiency.

How do you currently share supplier information and perspective with internal partners?



Teresa Fiore, Associate Director of Global Sourcing Marketing and Sales at Boehringer Ingelheim USA Corporation, says that finding new suppliers is “a combination of our internal sourcing knowledge combined with our internal marketing clients’ knowledge. Sourcing uses many resources such as internet research and Trade Journals (MedAdNews for

example) to find new suppliers in the marketing space.” With an existing supplier, Fiore added that turnaround time is much quicker because “we know who to reach out to.” For new suppliers, it could take two to three days or more to get a response. “This could be improved if we could have access to the info on demand or within minutes!”

Technology Adoption for Improved Management of Supplier Information

Supplier recommendations are a critical aspect of the research process for the majority of procurement and sourcing departments, and for many businesses, it is difficult to capture knowledge in a central repository. This is suggested by the heavy reliance on search engines and external resources, such as email, as tools

for following up on conversations with internal partners and peers. Going from a search engine-based research process into an RFP drafting process can take more time due to the need for more complete information on the request and suppliers in question.

“Sourcing uses many resources such as internet research and Trade Journals to find new suppliers in the marketing space.”

- Teresa Fiore, Associate Director of Global Sourcing Marketing and Sales at **Boehringer Ingelheim USA Corporation**

Jennifer Duane noted that “with all the tools that are available now that weren’t available 18 years ago, it puts procurement in a better situation to really help their clients’ internally and improve working with suppliers externally. When I would show up in a meeting and someone throws at me that they want to do an RFP for hundreds of thousands of dollars which I know will evolve into millions, and they know they want to use a certain supplier but it’s required that we do an RFP, nine times out of ten, if we put together a strong RFP and did our due diligence, we wouldn’t wind up with the suppliers that they already lined up,” she said. “However, that upfront identifying process for other candidates that they should seriously consider was very time consuming, and if their timeline was tight, it was sort of a push and pull between us, which isn’t a great way to start out. That was what I found probably most challenging. A tool for eliminating some of that search seems to me

like, had I had it five years ago, it would’ve been a dream come true because it would’ve just made me better at my job.”

Few companies currently have a technological solution that quickly links internal business partner requirements with the right list of suppliers using information from internal and external resources. Internal business partner intelligence and recommendations are considered the most credible sources of information, but are not easily captured or capitalized during the supplier selection process. As management of spend and suppliers expands, procurement and sourcing must identify new technologies to help gather and access internal intelligence and support the identification of a range of sourcing options to accommodate internal recommendations.

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- Chris Silva, Senior Director, Sourcing & Procurement, **Synageva BioPharma Corp.**

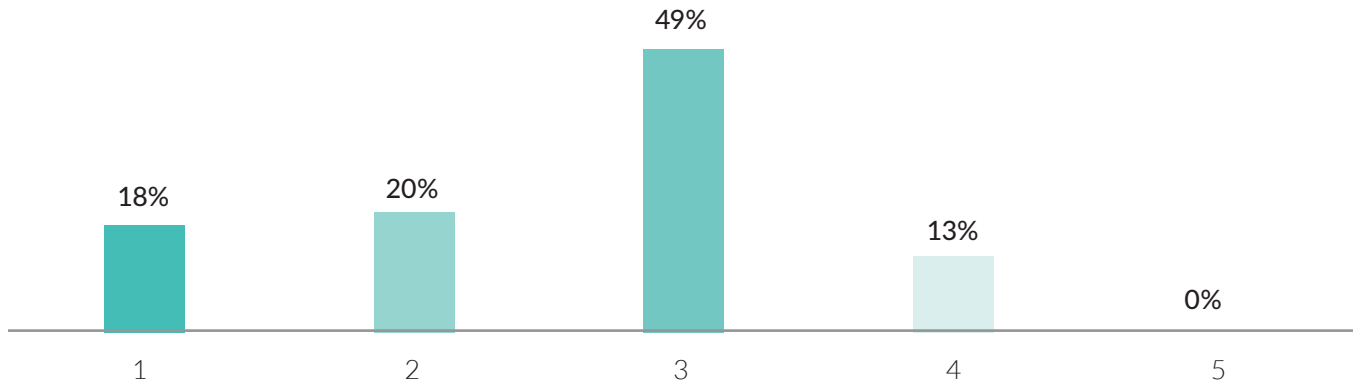
“Effectively managing RFPs is a challenge,” said Scott McKinney, Associate Director of Procurement, at bluebird bio. “Writing, developing, and working with RFPs can be very manual and very time consuming. It can be very specific and often requires quite a bit of technical category knowledge. The material can be very dynamic and there’s a constant refresh that has to happen for it to remain current even for the most basic RFP.”

Making the supplier identification process speedier by having a mechanism for connecting business needs with supplier capabilities and experience is key for results, time savings, and, ultimately, cost savings. Procurement and sourcing should take a leading role in implementing technology able to reduce the time required to capture and manage supplier information. They will then own the internal resource that makes it possible for internal business partners to understand and benefit from an efficient supplier discovery process.

About one-half of procurement leaders in the survey reported they were neither exceptionally enthusiastic nor overly dissatisfied about the technology solutions they use to identify and gather information on suppliers.

Only 13% of executives reported that they were somewhat satisfied with their sourcing technology. By contrast, 20% were somewhat dissatisfied, and a further 18% were very dissatisfied.

How satisfied are you with technology solutions that you use to gather supplier information and category intelligence on a scale from 1-5, with 5 being extremely satisfied?



There is a clear need for tools that can improve the turnaround between initial meetings with key stakeholders and the gathering of recommendations for the actual RFI and RFP. Given the lack of enthusiasm procurement and sourcing have for most of their current technology, those solutions are unlikely to fill the role of managing supplier information.

“I think the amount of benchmarking information available to procurement often depends on what your company can afford to do,” observed Mary Kachinsky,

Vice President of Strategic Sourcing and Operations at FORMA Therapeutics, Inc. “There are databases out there that you can go out and search to get this information. I have yet to find a company, and I have worked at many, where they have their own internal structured database like tealbook, for example, where they’re relying on experiences and input from stakeholders and the sourcing organization to create a database that is prescriptive to what they’re actually supporting from a procurement standpoint.

Challenges, Trends and the Role of Procurement

For procurement and sourcing, tactical workload can represent a significant drain on resources, taking away from higher-level strategic tasks. For this reason, the use of technology to streamline or even eliminate

workload is something organizations should investigate. Technology platforms, such as tealbook, enhance clarity and efficiency and can be the go-to resource to improve and streamline the procurement/sourcing process.

“The opportunity to be successful and to deliver back a truly valuable sourcing and procurement function in any organization is more achievable today than at any time in the past.”

- Scott McKinney, Associate Director of Procurement, at **bluebird bio**

Two common threads that emerged in the survey and interview process about the trends and challenges facing procurement are communication and value creation.

What Scott McKinney is seeing “is a much more refined lens on procurement providing ‘value’ rather than just the cheapest solution. Procurement provides a support function to the business and I think the ability to understand business requirements and provide “valuable” solutions back to internal clients is how our success should be measured. We’re just getting to the point that we understand a good delivery model for doing that. I think that networking and sharing best practices and technologies help tremendously!”

He added that the “opportunity to be successful and to deliver back a truly valuable sourcing and procurement function in any organization is more achievable today than at any time in the past. I don’t see any major hurdles. I think we often create hurdles and obstacles ourselves.”

“The greatest challenges we face around sourcing include closely matching customer requirements with truly qualified and motivated suppliers, said Chris Silva. “Such discovery is impacted by changes in industries and technology growth; keeping up with these trends as well as industry leaders/laggards, innovators/”me-too” companies etc. takes considerable resources.” He added that as specialization and outsourcing continue to grow, “procurement will be leaned upon to provide supplier relationship expertise, supplier goal setting and performance tools, and onboarding/transitioning proficiency.”

For Mary Kachinsky, procurement must have “a seat at the executive table. At Cubist I engaged with the C-Suite on a quarterly basis. Discussions went beyond savings to more about establishing what I refer to as a network of supply: ensuring that we have the best providers that can scale with the company, that can collaborate with us and bring efficiencies.

“I believe that procurement and strategic sourcing are now part of that ingrained thinking that we are part of

a team, that we are not just a support organization, but also influential as far as how we support the organization from the ability to achieve not only cost competitiveness with goods and services but efficiency gains and helping us bring our product to market much more quickly.”

“Identifying a broad range of credible suppliers is where the challenge comes in,” said Kachinsky. “I have subscribed to a number of different databases where I can get specific resource information, but when I’ve got to subscribe to them and they’re very costly, especially for small organizations, we can’t fund that subscription in many cases so I’m left to trade journals or conferences or just going and searching Google.”

She continued that she has been most successful “when I have subscribed to a particular database/search engine to get that list of suppliers. These databases not only provide me with a list of possible suppliers, but also provide benchmarking information such as who are their competitors, their market share, capabilities and global reach. I have been able to pull benchmark pricing to know the standard industry cost for a particular service -- that type of thing.”

The challenge around creating and maintaining an internal database are time and money, Kachinsky said. “You may have to have some dedicated resources to do it. That will take time and energy that you may or may not be able to dedicate in that area. Most procurement organizations in small Biotech will not have an internal sourcing tool. Scientists will come to me with recommendations they have based on their previous experience or from a colleague recommendation. I believe that that’s probably the case in most situations.”

Teresa Fiore stated that her company often faces challenges in finding the right agencies for its specific requirements. “With the ever-changing agency landscape, it’s difficult at times to find new agencies that could bring in innovative ideas. Another challenge in the Pharma space is to find agencies that are free of conflicts – those who don’t work on our competitors’ products. These are just a few of the challenges faced in sourcing new suppliers.”

CALL TO ACTION

The feedback received through the survey results and interviews indicates a clear opportunity to improve current supplier information practices and solutions: a streamlined process that features a mechanism for quickly finding the right supplier and that eliminates the silos that inhibit collaboration.

An essential part of procurement and sourcing's role is to identify new technologies such as tealbook and introduce them into everyday practice. This type of mechanism is needed to contain the necessary pieces of supplier information and develop supplier requirements to quickly identify qualified suppliers.

With the right tools, sourcing and procurement have the opportunity to provide internal business partners with peer-informed, time-saving supplier information on a breadth of suppliers in any category. Crucial to this is including information on CDA status or preferred supplier status. By having easy to use, integrated tools, the process is expedited and sourcing and procurement or internal business partners are empowered with supplier information to quickly make decisions and improve the timeline.

RECOMMENDATIONS

Based on the survey findings and the input from executive interviews, we can make the following recommendations:



Procurement and sourcing must be able to identify the best suppliers faster and with less manual effort. Those suppliers - as well as their information - should be easily accessed by procurement and sourcing as well as by their internal stakeholders.



Input and recommendations from internal business partners is the preferred source of information for supplier discovery and evaluation. This information needs to be gathered, centralized, and combined with similar aggregated feedback from external peers.



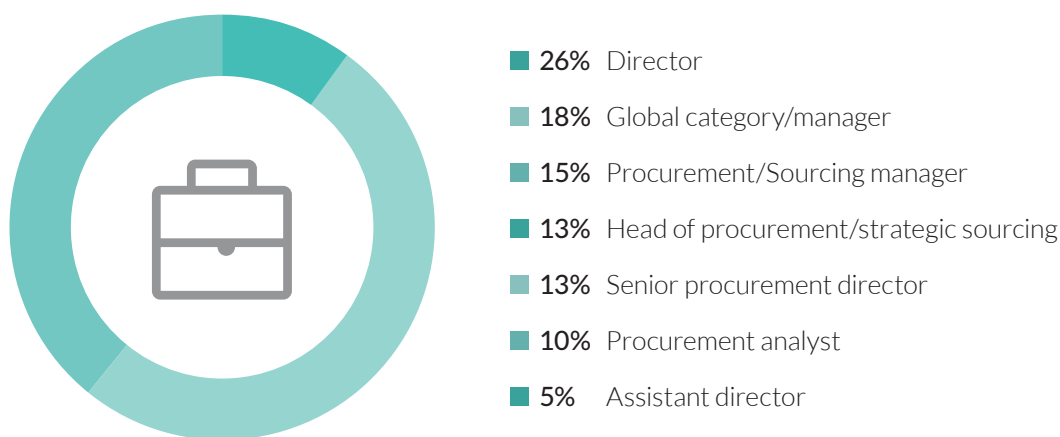
Legacy technology does not have the functionality and usability to collect supplier information, including input and recommendations on suppliers, to quickly identify a supplier for a specific need. Sourcing and procurement should seek out new solutions that are intuitively designed and prioritize the open flow of information about suppliers.

APPENDICES

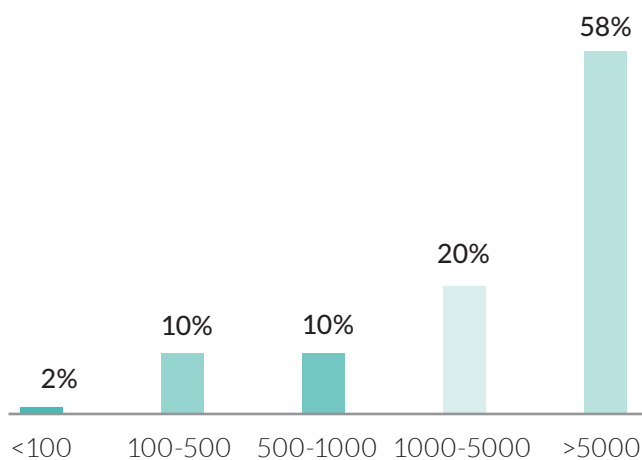
Appendix A: Who Responded to the Survey

The results analyzed in this report were gathered from responses to an on-site benchmarking survey delivered at ProcureCon Pharma 2015. 40 executives participated in the survey.

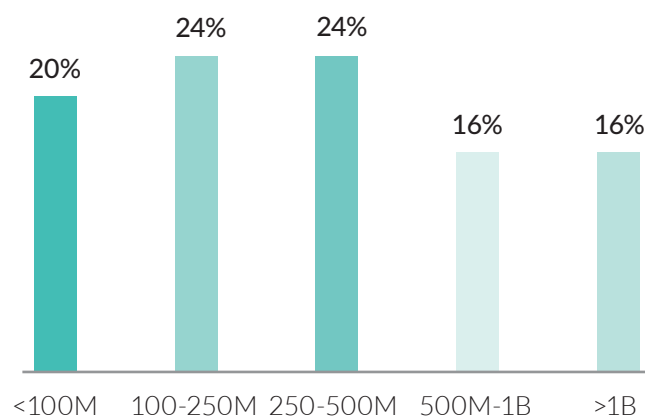
Participant Job Titles



How many employees are in your company?



What is the total estimated annual spend of the categories that you are responsible for managing?



Appendix B: Methodology

Interviews with sources were conducted after survey data was compiled and centered on discussion of benchmark results. All interviews were conducted in Q4 2015. Source titles were all Director level and above, with representation from both the Biotech and Pharmaceutical industries. Questions were jointly drafted by ProcureCon and tealbook, with interviews executed by the ProcureCon team.

ABOUT THE AUTHORS

ProcureCon Pharma



ProcureCon Pharma provides you with strategies to manage costs and find value in procurement and sourcing processes. Designed specifically for the Pharmaceutical industry, ProcureCon Pharma will uncover timely issues and help direct and indirect procurement professionals master current initiatives and challenges. You will learn how to improve supplier relationships and integrate strategic suppliers into your organization. Procurement executives will share methodologies to innovate and incorporate new technology tools into your solutions mix. ProcureCon Pharma is geared to give you insights on how procurement, sourcing and purchasing impacts overall business strategy.

Tealbook



tealbook is your team's trusted source for supplier intelligence. tealbook allows you to instantly identify and quickly qualify the best suppliers for a specific business need. With tealbook, you can:

- Know what suppliers are in the market for all categories & have their information at your fingertips
- See what industry peers have to say about suppliers and tap into their collective credible supplier intelligence that is aggregated from recommendations from industry peers
- Build and share a transparent list of suppliers that internal business partners can easily access
- Use tealbook to instantly identify suppliers for specific needs

With tealbook, procurement and sourcing can bring immediate value to internal business partners, support more initiatives, increase cost efficiencies and enable stronger strategic internal collaborations.

tealbook is a cloud platform that is simple to implement, easily configurable, and integrates with your existing tools and systems. This significantly reduces the time it takes to find and qualify suppliers from weeks to minutes and allows you to build valuable supplier knowledge to fuel future supplier engagements for your company. For more information, visit www.tealbook.com.

WBR Digital



WBR Digital connects solution providers to their target audiences with year-round online branding and engagement lead generation campaigns. We are a team of content specialists, marketers, and advisors with a passion for powerful marketing. We believe in demand generation with a creative twist. We believe in the power of content to engage audiences. And we believe in campaigns that deliver results.



ADDITIONAL CONTRIBUTORS

In addition to the benchmark data and analysis contained in this report, several executives and industry experts have contributed their insight via interviews. Selected quotations have been used to add context to the statistical information contained in this document. Interviews were centered on benchmark findings as well as key trends identified by research.

The results analyzed in this report were gathered from responses to an on-site benchmarking survey delivered at ProcureCon Pharma 2015. 40 executives participated in the survey. For demographic information, see the Appendices.



- **Mary Kachinsky**
Vice President Strategic Sourcing and Operations, **FORMA Therapeutics, Inc.**



- **Jennifer Duane**
Sourcing Director, **tealbook**



- **Teresa Fiore**
Associate Director, Global Sourcing Marketing and Sales, **Boehringer Ingelheim USA Corporation**



- **Scott McKinney**
Associate Director, Procurement, **bluebird bio**



- **Chris Silva**
Senior Director, Sourcing & Procurement **Synageva BioPharma Corp.**

