Everest Group
RESEARCH

Topic: IT Application Outsourcing (AO) in the Life Sciences Industry – Service Provider Landscape

Healthcare Outsourcing
Market Report: November 2012 – Preview Deck

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Background and scope of the research

Background of the research

The healthcare industry has witnessed a rapid increase in IT and business process outsourcing adoption in recent years. Regulatory reform, consumerization of healthcare, market consolidation, and emergence of new technologies has accelerated outsourcing in the healthcare market. A number and variety of service providers have developed capabilities to cater to this growing market.

With healthcare companies stepping up adoption of outsourced delivery, there is an uptick in demand for research and market intelligence on demand and supply trends in healthcare outsourcing across the three major market segments – payer, provider, and life sciences. The need is more pronounced for the vertical-specific application outsourcing (AO) function, where business challenges are driving greater adoption. Everest Group's healthcare outsourcing research program addresses this market requirement by analyzing outsourcing trends and service provider capabilities specific to IT AO in the healthcare vertical.

In this report, we analyze the capabilities of 14 AO service providers specific to the global life sciences sector. These service providers are mapped on the Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix, which is a composite index of a range of distinct metrics related to a provider's capability and market success. We focus on:

- The landscape of service providers for life sciences AO
- Assessment of the service providers on a number of capability-related dimensions
- Characteristics of the Leaders, Major Contenders, and Emerging Players on the Everest Group PEAK Matrix
- Implications for life sciences AO buyers and service providers

Scope of this report

- **Industry:** Life sciences (pharmaceuticals, medical devices, biotechnology, and other life sciences[1])
- **Services:** Large (TCV >US$25 million), multi-year (>3 years), and annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party AO transactions; excludes shared services or captives

1 Includes healthcare data & information services, and medical products distribution

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This report examines the service provider landscape for large annuity contracts in the life sciences AO market

NOT EXHAUSTIVE

Focus of report

Healthcare

Payer
- Private health plans
- Public health plans

Life sciences
- Pharmaceuticals
- Medical devices
- Biotechnology
- Others[1]

Provider
- Large health systems
- Standalone hospitals/clinics
- Pharmacists
- Physician practices
- Diagnostic labs

Services industry

IT Infrastructure Outsourcing (IO)
- Traditional IO
- Remote Infrastructure Management (RIM)
- Infrastructure Management Services (IMS)
- Cloud

IT Application Outsourcing (AO)
- Applications development
- Applications maintenance
- Independent testing
- Package implementation
- ERP services
- Business intelligence / data warehousing

Business Process Outsourcing (BPO)
- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure roll-outs

This report assesses IT AO service providers in the life sciences vertical with a focus on large (TCV >US$25 million), annuity-based, and multi-year (>3 years) relationships

1 Includes healthcare data and information services and medical products distribution

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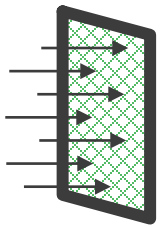
From a landscape of 30+ service providers, Everest Group assessed 14 providers for their capabilities in life sciences AO

Service provider outreach (partial list)



Criteria for inclusion in the assessment:

- Success in large life sciences AO relationships, i.e.,
  - More than US$25 million TCV
  - More than three years relationship duration
  - Active as of December 31, 2011
- Everest Group's experience and RFI response

Service providers assessed

Assessment based on:

- RFIs submitted by service providers[1]
- Everest Group Transactions Intelligence database
- Service providers' disclosures and interviews
- Everest Group's interaction with life sciences AO buyers

1 Assessment for Accenture and IBM GS is based on Everest Group's proprietary Transaction Intelligence (TI) database, service providers' disclosures, and Everest Group's interactions with life sciences AO buyers

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Overview and abbreviated summary of key messages

This report provides a comprehensive assessment of the service provider landscape for application outsourcing (AO) services in the life sciences industry, and maps the leading service providers on Everest Group's PEAK Matrix. It also includes detailed profiles of the service providers featured on the PEAK Matrix.

Some of the findings in this report, among others, are:

Life sciences AO service provider landscape

- The service providers delivering AO services to life sciences industry clients can be classified into three broad groups: Global majors, Offshore majors, and Regional/tier-2 players
- Global majors have the highest average life sciences AO revenue, while offshore majors are ahead in terms of headcount
- All three service provider categories have relatively high regional scope coverage across North America and Europe; pharmaceuticals is the leading subvertical across all service provider categories

PEAK Matrix for life sciences AO

- Analysis of the service provider landscape for life sciences AO leveraging the Everest Group's PEAK Matrix reveals three distinct categories of service providers: Leaders, Major Contenders, and Emerging Players
- Leaders account for a majority of industry revenues from large life sciences AO deals; they have an extensive suite of proprietary solutions spanning clinical data management, advanced analytics, pharmacovigilance, and marketing tools for social media and mobility
- Major Contenders and Emerging Players have a relatively smaller scale; their proprietary solutions mainly include marketing analytics and compliance tools

Implications for key stakeholders

- As demand for AO services in the life sciences market increases, outsourcing buyers need to ensure that they select the right strategic partners for implementing their technology roadmap against the backdrop of a rapidly evolving service provider landscape
- In addition to expanding their delivery capabilities, service providers need to engage more strategically with buyers and invest in building long-term partnerships with them

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This study offers five distinct chapters providing a deep dive into the life sciences AO service provider landscape; below are four charts to illustrate the depth of the report

AO services scope coverage

Measure of activity: High | Medium | Low

Regional scope of LS AO contracts:	Global majors	Offshore majors	Regional/tier-2 players
Region 1			
Region 2			
Region 3			
Region 4			

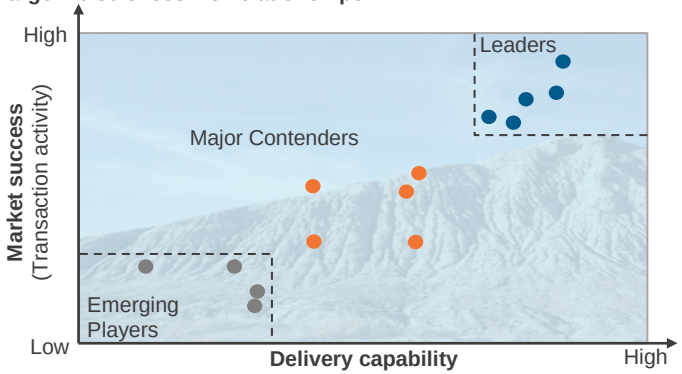
LS AO technology capability

Measure of capability: Very high | High | Medium | Low

Service provider	Strength assessment	Examples of technology investments / proprietary solutions
Service provider 1		• Service provider 1 has life sciences-focused proprietary solutions for clinical trials information management, pharmacovigilance, manufacturing & ERP, and marketing analytics • Service provider 1 enhanced its capabilities in clinical and regulatory information management services through the acquisition of U.S.-based XYZ Inc. in 2012
Service provider 2		• Service provider 2's proprietary solutions in the life sciences space include: LIMS, data migration and management, multi-channel marketing, mobility, and social media • Service provider 2 has an alliance with ABC to jointly develop life sciences predictive analytics solutions

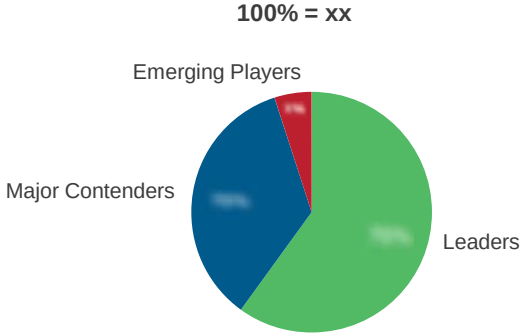
Life sciences AO PEAK Matrix

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for large life sciences AO relationships



PEAK category analysis

Distribution of new large life sciences AO contracts
Number of transactions signed during 2009-2011



Source: Everest Group (2012)

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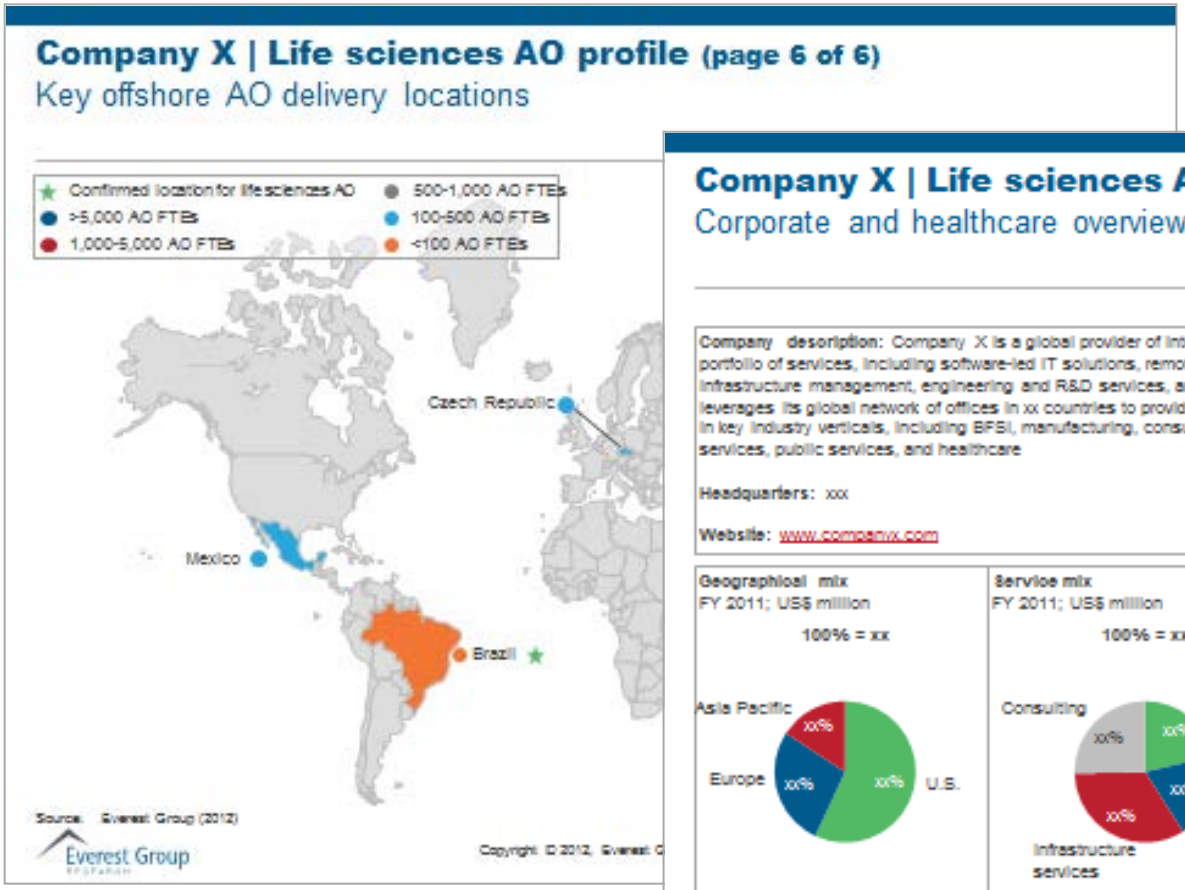
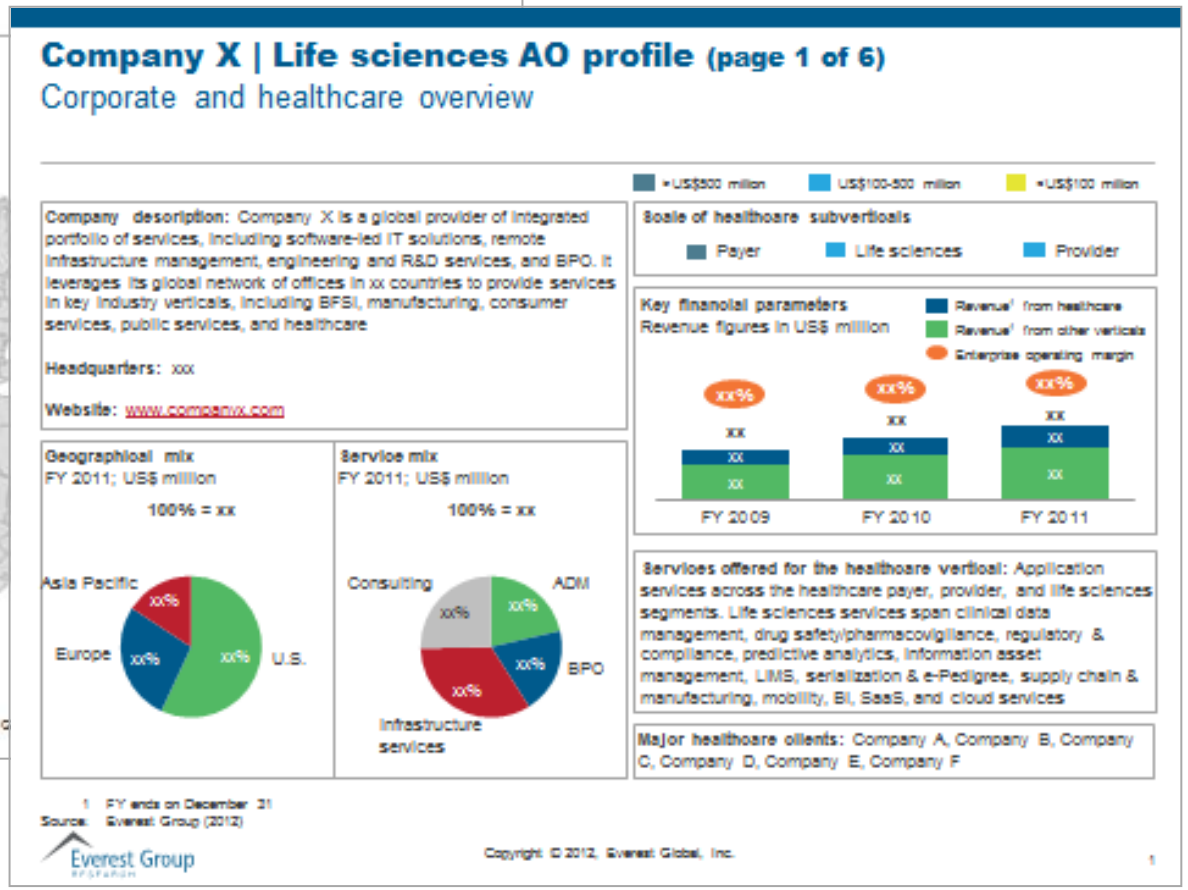
This report also features detailed profiles of the service providers featured on the Everest Group PEAK Matrix for life sciences AO





Source: Everest Group (2012)

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Healthcare outsourcing research agenda

Published Current

Topic	Release date
Report Card for the Indian IT Majors – Pecking Order Analysis of the "WITCH" Group	*June-2012*
IT AO in the Healthcare Payer Industry – Annual Report 2012	*July-2012*
IT AO in the Healthcare Payer Industry – Service Provider Landscape 2012	*July-2012*
IT AO in the Life Sciences Industry – Annual Report 2012	*September-2012*
IT AO in the Life Sciences Industry – Service Provider Landscape 2012	*October-2012*
IT AO in the Healthcare Provider Industry – Annual Report 2012	*Q4-2012*
IT AO in the Healthcare Provider Industry – Service Provider Landscape 2012	*Q4-2012*

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Additional healthcare research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest:

1. **IT Application Outsourcing (AO) in the Healthcare Payer Industry – Service Provider Landscape** (EGR-2012-12-R-0721); 2012. This report provides an in-depth analysis of the service provider landscape for AO in the healthcare payer segment. It includes PEAK Matrix for Payer AO, analysis of service providers in terms of their delivery capability and market success, and detailed profiles of the service providers featured on Payer AO PEAK Matrix.

2. **IT Application Outsourcing (AO) in the Life Sciences Industry – Annual Report 2012** (EGR-2012-12-R-0756); 2012. This report provides an overview of the AO market for the life sciences industry. Analysis includes key trends in market size & growth, demand drivers, adoption & scope trends, emerging themes, key areas of investment, and outlook for the coming year. The report also provides an introduction to the service provider landscape for the life sciences industry.

3. **Outsourcing and Offshoring Trends in Pharmaceuticals** (EGR-2011-2-R-0600); 2011. This report provides an in-depth analysis of outsourcing and offshoring in the pharma industry, with focus on outsourcing transactions in the industry, buyer adoption of outsourcing, and the service provider landscape. The report also comments on the key future trends to watch, for buyers, service providers, and other industry stakeholders

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