



# IT Outsourcing (ITO) in the Life Sciences Industry – Annual Report 2015: Integrated Services Strategy in the Age of Digital

Healthcare & Life Sciences IT  
Annual Report: July 2015 – Preview Deck

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- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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<sup>1</sup> Banking, financial services, and insurance

# Background and scope of the research

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## Background of the research

The healthcare landscape has been subject to significant turbulence on account of a gamut of factors including escalating costs, widespread regulatory amendments, changing business models, and evolution of the patient-centric paradigm (with mobile computing, social media platforms, and “anytime-anywhere” information access). This combination of disruptive and legacy factors has driven healthcare firms to adopt new technologies, while also revamping their existing systems, processes, and interfaces.

As the technology mandate for healthcare enterprises evolves, so do their relationships with IT service providers. This, in turn, is driving the need for relevant research and market intelligence on demand and supply trends in healthcare outsourcing across the three major market segments – payer, provider, and life sciences. Everest Group’s healthcare outsourcing research program addresses this market requirement by analyzing outsourcing trends and service provider capabilities specific to ITO in the healthcare vertical.

**In this annual report, we analyze current trends and the future outlook for large, multi-year ITO relationships for the life sciences market. We focus on the following:**

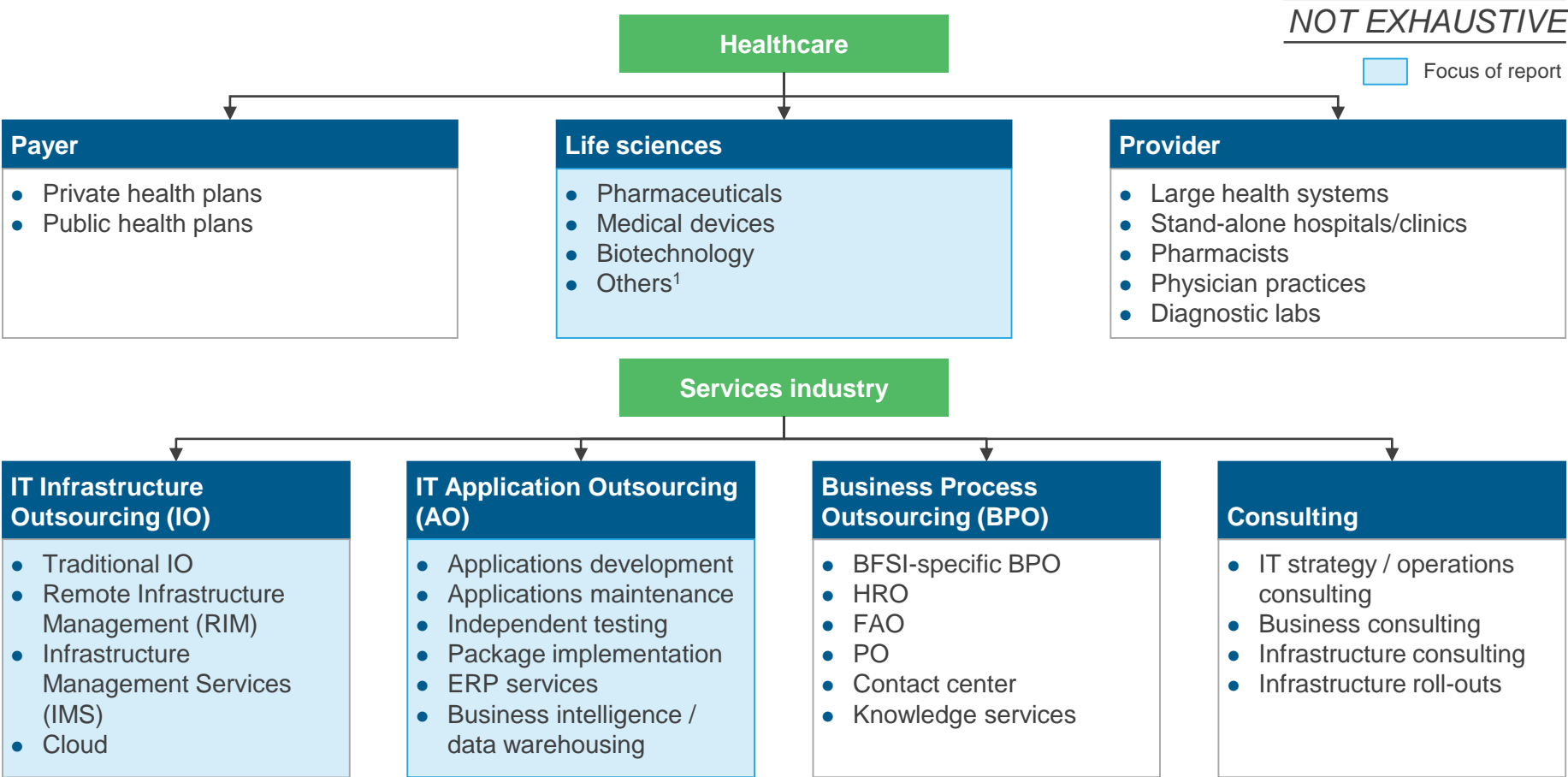
- Trends in the healthcare industry
- Market trends and activity related to large relationships
- Service provider landscape
- Significance of integrated services for digital enablement
- Outlook for 2015-2016

## Scope of this report

- **Industry:** Life sciences (pharmaceuticals, medical devices, biotechnology, and other life sciences<sup>1</sup>)
- **Services:** Large (TCV >US\$25 million), multi-year (>3 years), and annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party ITO transactions; excludes shared services or Global In-house Centers (GICs)

<sup>1</sup> Includes healthcare data & information services and medical products distribution

# This report provides an insight into current trends and the future outlook for large, multi-year ITO relationships in the global life sciences sector

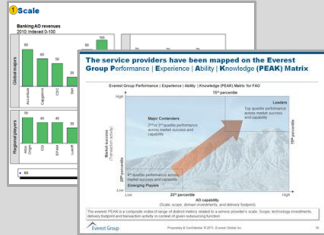


This report analyzes ITO in the life sciences vertical with a focus on large (TCV > US\$25 million), annuity-based, and multi-year (>3 years) relationships

<sup>1</sup> Includes healthcare data & information services and medical products distribution

# This report is a part of Everest Group's series of reports focused on ITO in healthcare in 2015

## Annual report



- Each report provides an overview of the ITO market for the specific healthcare subsegment
- Analysis includes the following content in the specific healthcare subsegment:
  - Trends in ITO in the overall healthcare industry
  - Market trends and activity for large ITO relationships
  - Emerging themes driving ITO
  - Future outlook for ITO

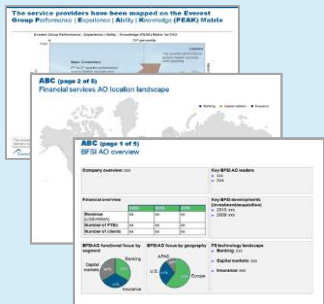
Focus of report

Payer

Life sciences

Provider

## Service provider landscape and capability profiles



This set of reports is focused on key healthcare subsegments, and some crucial processes / value chain elements for the subsegments  
Each report provides

- Mapping of service providers on **Everest Group's PEAK Matrix**
- Capability profiles of service providers capturing their ITO services experience. This includes:
  - Service provider overview: Details of ITO services capabilities, key investments, proprietary solutions, and technological expertise
  - Functional / Line of Business (LoB) focus
  - Transactions overview for ITO services
  - Delivery footprint

Payer

- Global ITO
- Big data & analytics
- Digital services
- Care management & patient engagement

Life sciences

- Global ITO
- Life sciences in Europe
- Big data & analytics
- Digital services
- Clinical and R&D services

Provider

- Global ITO

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# Overview and abbreviated summary of key messages

This report provides an overview of the ITO market for the life sciences industry. Analysis includes market size & growth, forecasts up to 2020, demand drivers, adoption & scope trends, key areas of investment, and implications for key stakeholders. The report focusses specifically on how digitization is panning out in the life sciences industry, and the need for an integrated services strategy for true digital enablement.

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

## Healthcare ITO market overview

- Growth in healthcare ITO is being driven by factors such as regulatory requirements, payer-provider convergence, customer-centric care, and M&As/restructuring
- Deal activity in 2014 was led by strong growth in life sciences and provider subverticals, and was partially offset by the payer subvertical. Healthcare buyers showed clear preference for short ITO deals, indicating their reluctance to make large commitments amid regulatory uncertainties

## Life sciences ITO market overview

- The life sciences industry witnessed robust growth in ITO deals, as business challenges triggered the demand for services such as analytics, data management, and infrastructure services
- North America and Europe dominated the transaction landscape in 2014. Also, mid-sized pharmaceutical and medical devices firms (revenue US\$10-50 billion) accounted for majority of the transaction activity
- 2014 witnessed a record number of new drug approvals, attributable to revised FDA policies and increasing focus by life sciences firms on innovation

## Integrated services strategy in the age of digital

- Life sciences firms tend to struggle with their digital enablement initiatives due to factors such as fragmented service provider landscape and non-standardized internal structures
- Digital enablement of the life sciences value chain in true sense will require operationalizing an integrated view of entire stack(s) of services
- Such service integration would lead to the entire sourcing portfolio of a stack to work in tandem. Also, it will become easier for organizations to carve out these stacks in a consumption-based model and mature into a IT-as-a-Service models with best-in-class service providers

## Outlook for 2015-2016

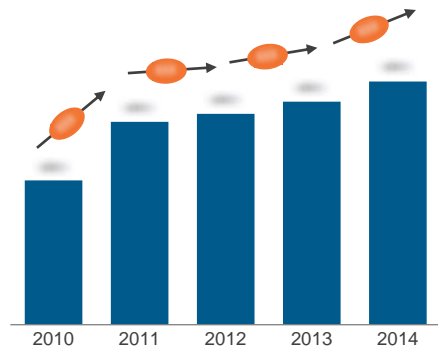
- Rising costs, growing number of users, and stringent government mandates will drive increasing number of healthcare organizations towards integrated services, wherein, focus is laid on specific business outcomes irrespective of individual silos
- The ongoing consolidation/M&A activity is expected to continue during the coming years, providing impetus for application modernization and infrastructure services



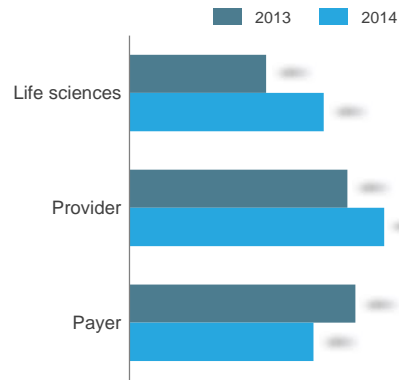
# This study offers four distinct chapters providing a deep dive into key aspects of the life sciences ITO market; below are four charts to illustrate the depth of the report

## Life sciences ITO transaction activity

Healthcare ITO transaction volume  
Number of transactions

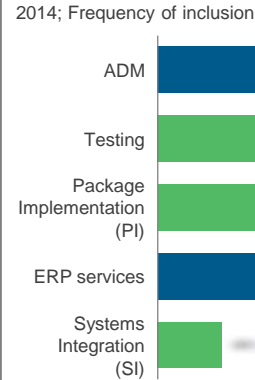


Healthcare ITO transaction volume  
Number of transactions

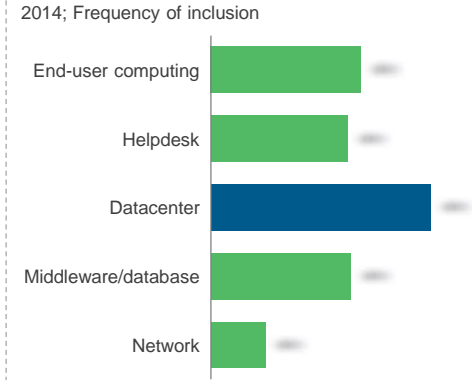


## Functional adoption of IT services

Subfunctions in large life sciences AO transactions  
2014; Frequency of inclusion

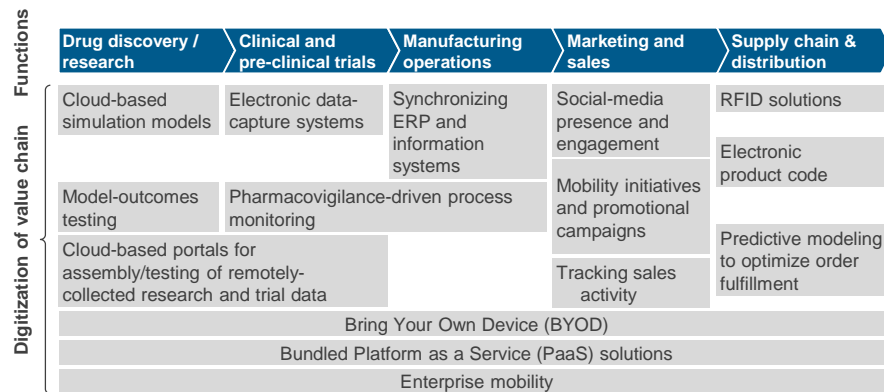


Subfunctions in large life sciences IO transactions  
2014; Frequency of inclusion



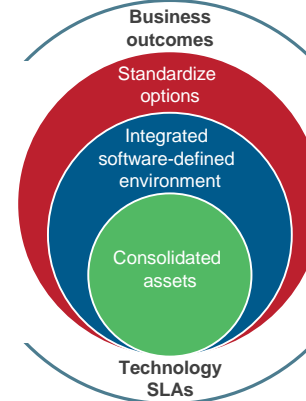
## Life sciences digitization: Value chain view

Need for digitization in the life sciences industry value chain



## Components of services integration

Enabling the services stack for services integration



Source: Everest Group (2015)

# Healthcare & Life Sciences research calendar

Topic	Published	Current	Release date
			
State of the Healthcare ITO Market: 2015 - Decoding the Winds of Change .....			March 2015
State of the Life Sciences IT Market: 2015 - Comprehending the Elements of Change in the Life Sciences IT Landscape .....			May 2015
IT Outsourcing in the Life Sciences Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			June 2015
IT Outsourcing in Life Sciences – European Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			July 2015
IT Outsourcing in Life Sciences: Digital – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			July 2015
IT Outsourcing (ITO) in the Life Sciences Industry – Annual Report 2015: Integrated Services Strategy in the Age of Digital .....			July 2015
IT Outsourcing in Life Sciences: Big Data and Analytics – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			Q3 2015
IT Outsourcing in Life Sciences: Clinical and R&D Services – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			Q3 2015
IT Outsourcing in Healthcare Payer Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			Q3 2015
IT Outsourcing in Healthcare Payer Industry: Digital – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			Q3 2015
IT Outsourcing in the Healthcare Payer Industry – Annual Report 2015 .....			Q3 2015
mHealth: Consumers take the steering wheel .....			Q3 2015
IT Outsourcing in Healthcare Payer Industry: Big Data and Analytics – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			Q3 2015
IT Outsourcing in the Life Sciences Industry – Service Provider Profile Compendium 2015 .....			Q3 2015
IT Outsourcing in Healthcare Payer Industry: Care Management & Patient Engagement – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			Q4 2015
IT Outsourcing in Healthcare Provider Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015 .....			Q4 2015
IT Outsourcing in Healthcare Provider Industry – Annual Report 2015 .....			Q4 2015

# Additional Healthcare & Life Sciences 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 Outsourcing in Life Sciences Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015** ([EGR-2015-12-R-1469](#)); 2015. In this report, we analyze the capabilities of 20 leading ITO service providers specific to the global life sciences sector. These service providers are mapped on the Everest Group PEAK Matrix, which is a composite index of a range of distinct metrics related to a service provider's capability and market success
- 2. IT Outsourcing in European Life Sciences Industry – Service Provider Landscape with PEAK Matrix™ Assessment 2015** ([EGR-2015-12-R-1500](#)); 2015. This report evaluates the capabilities of 15 leading ITO service providers specific to the European life sciences sector. These service providers are mapped on the Everest Group PEAK Matrix, which is a composite index of a range of distinct metrics related to a service provider's capability and market success
- 3. IT Outsourcing in Life Sciences Industry – Service Provider Profile Compendium 2014** ([EGR-2014-12-R-1219](#)); 2014. This report provides detailed profiles of the 18 service providers featured on the life sciences ITO PEAK Matrix 2014. Each comprehensive profile provides a perspective on their service suite, scale of operations, scope, domain investments, transaction success, delivery locations, and Everest Group's assessment of the service provider specific to life sciences ITO services

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## About Everest Group

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