

## Flying to 2020: Managing Turbulences of Innovation and Change

Abstract, Michael Engsig:

Over the last decade the CRO industry have been blessed by a strong fundamental underlying growth in Pharma spending on outsourced clinical research driven primarily by seemingly ever growing R&D budgets and pharma switching still further proportions of the budget to external providers. These fundamental drivers have provided fuel for a stable growth of work and revenue for any CRO player who could at least manage to stay on par with the industry.

Although the market size of outsourced clinical development is predicted to continue to grow around 5-6% annually the next five years, the underlying sources for the growth are starting to change. With healthcare spending increasingly being capped in the developed world and the emerging markets not living up to past optimistic projections Pharma's R&D budgets are levelling off. Continued growth will increasingly depend on the CROs ability to take larger slices of the market size pie.

Larger CROs will benefit from Pharma companies looking for partners who can seamlessly handle their global development programs with the volatile resource demands and the proper technology required. On the other hand smaller to mid-size CROs should theoretically be able to adjust and implement new technology into their operations with high speed.

With the wave of consolidation within the CRO industry new strong players are emerging with significant regional presence. The true challenge for the CROs in order to avoid increasing price pressure will be to develop unique points of differentiation or selling points that will provide true value propositions to the clients and justify premium prices.

Three factors will be crucial for the CROs of the future to win the battle for the market size.

- Patient and customer centricity ingrained into every part of the organisation and operating model
- Innovative approaches to solving the typical bottlenecks in clinical trial such as feasibility and patient access
- Flexibility to quickly adjust the service offering to the dynamic demand of the clients in terms of therapeutic and geographical focus areas.

Furthermore, critical for successfully navigating the coming years, is for the CROs to perceive the dynamic environment as unique opportunities to create differentiation rather than challenges to the current modus operandi.