



BENCHMARKING SURVEY RESULTS

# TENDER MANAGEMENT PRACTICES IN THE LIFE SCIENCES INDUSTRY.



## SURVEY RESULTS, REPORT 2: CURRENT TENDER ENVIRONMENT AND AWARDING CRITERIA

AN ASSESSMENT OF HOW LIFE SCIENCES MANUFACTURERS ORGANIZE AND GOVERN THE TENDERING FUNCTION.

### BACKGROUND

Historically limited to only a few sectors of the life sciences industry, tendering encompasses most segments now, including specialty and biosimilar drugs, along with medical devices. **Currently, more than 25% of the global pharmaceutical market is procured through some form of tender.**<sup>1</sup> In addition, many emerging markets have either explored, implemented, or are expanding tendering opportunities to achieve cost savings for their healthcare budgets.

The tendering process is governed by specific laws. The process tends to be very formal and rigid with limited interactions with the tendering authority. Overall, the aim of the procurement authority is to increase the competitive environment, while achieving greater savings.

**A notable piece of differentiation for tenders in the life sciences industry is cyclical.**

The ongoing or “permanent” need to procure a certain class of device or drug necessitates the re-publishing of many tenders after a specified duration of time. **This increases the importance of planning, which can provide a potential competitive advantage if performed properly.**<sup>2</sup>

### BENCHMARKING STUDY

HighPoint Solutions conducted a benchmarking study in June 2016, which surveyed more than 30 life sciences companies, capturing a snapshot of the state of tendering in the industry. Study respondents represented all segments. Results will be shared in **four separate reports:**

**01** The Tender Organization

**02** Current Tender Environment and Awarding Criteria

**03** Tender Management Solutions

**04** Tender Management Challenges

<sup>1</sup> <http://blog.highpointsolutions.com/tendering-in-the-procurement-environment>

<sup>2</sup> <http://blog.highpointsolutions.com/awareness-the-first-phase-of-tendering>

## CURRENT TENDER ENVIRONMENT AND AWARDED CRITERIA

In this second report in the Tender Management Benchmarking Study series, HighPoint Solutions shares survey results related to the following dimensions of the tendering environment and tender awarding criteria:

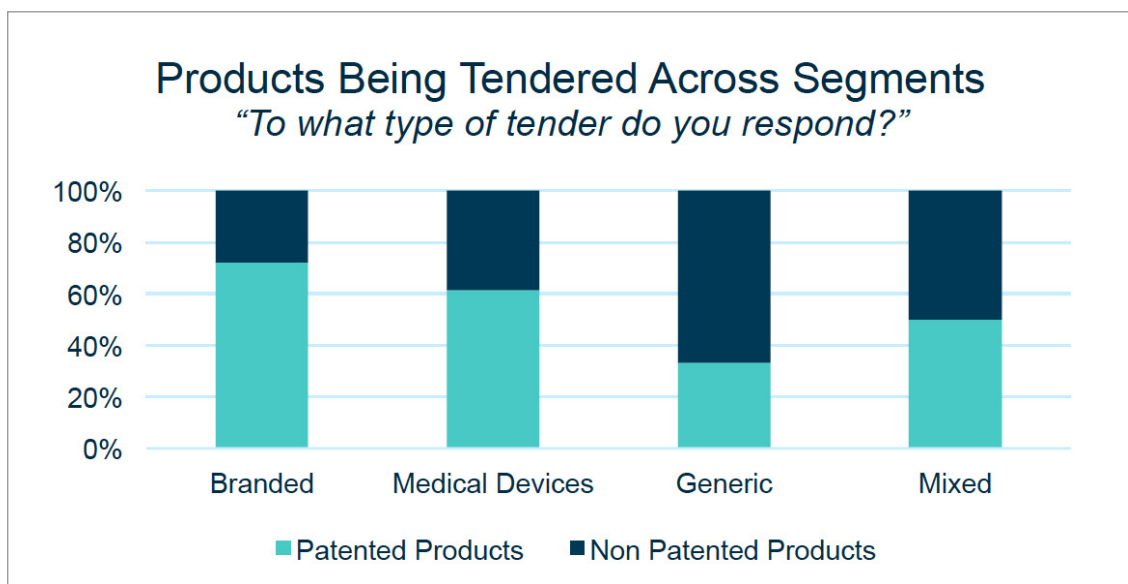
1. Products Subject to Tendering (patented vs. non-patented)
2. Tender Authorities
3. Tenders Issued
4. Pre-qualification and Awarding Criteria

### Products Subject to Tendering

As the prevalence of tendering continues to expand from generic to specialized drugs, more manufacturers find themselves competing in the tender environment. Branded companies faced with non-patented tenders at, for example, the molecule level will naturally begin to encounter an increased risk of generic competition.

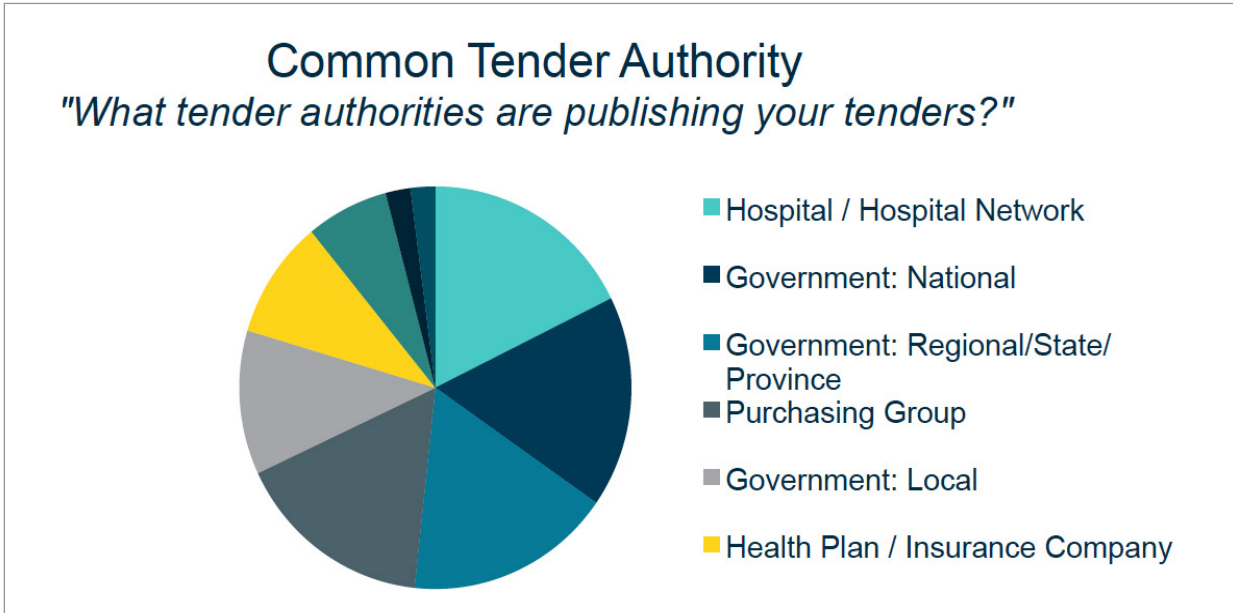
**An analogy can be found** in the field of biologics, where more and more biosimilars are entering the market, **increasing the number** of tenders for this field.

Based on survey feedback regarding tendering of patented and non-patented products (at the molecule level or for a specific therapeutic area, including biosimilars) HighPoint Solutions observed no notable, significant differences across industry segments. There are tenders for all segments of the industry that are applicable to patented products, non-patented products and medical devices and supplies.

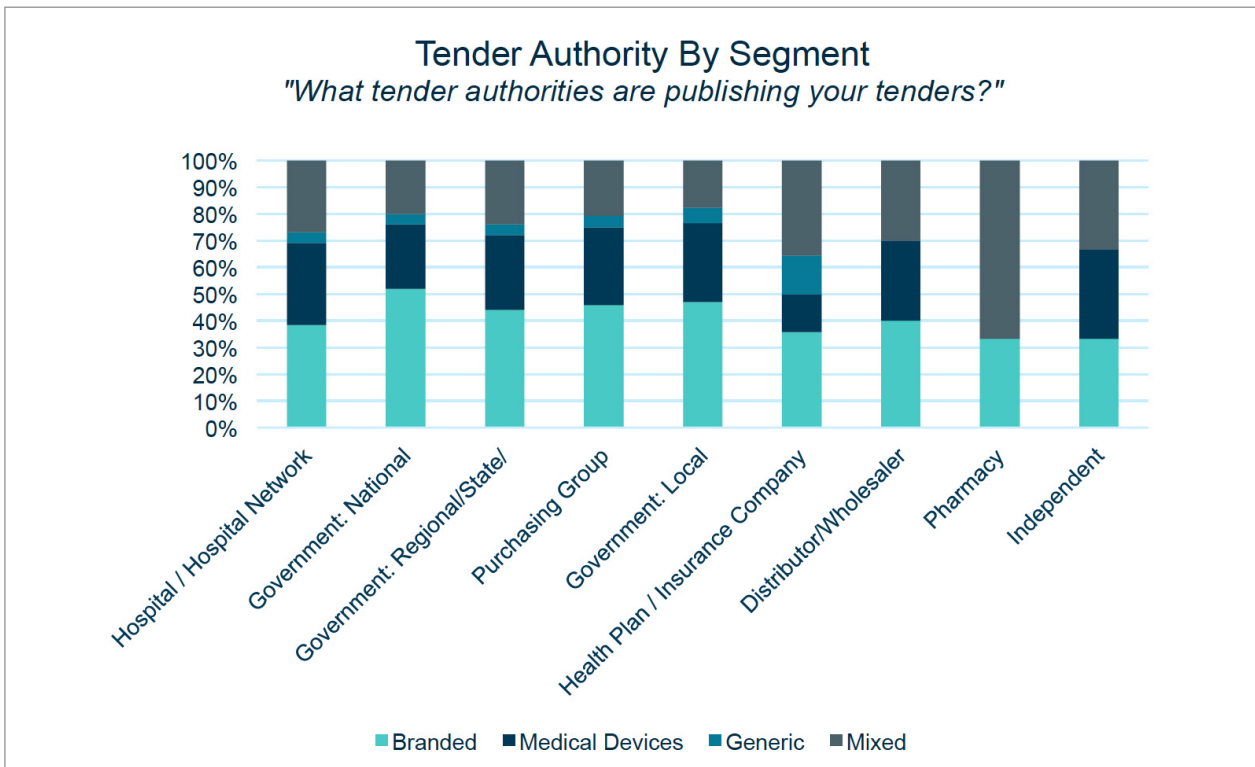


### Tender Authorities

As expected, hospitals and national and regional governments are the most frequently cited tender authorities.

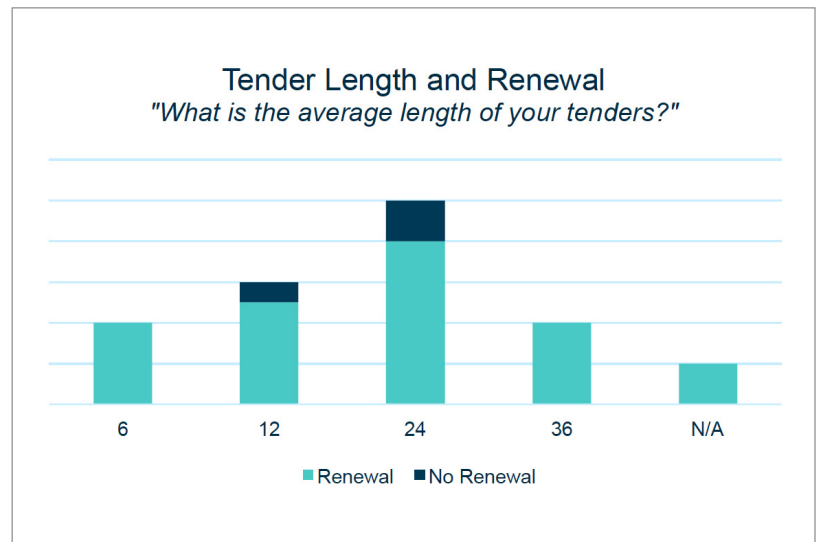
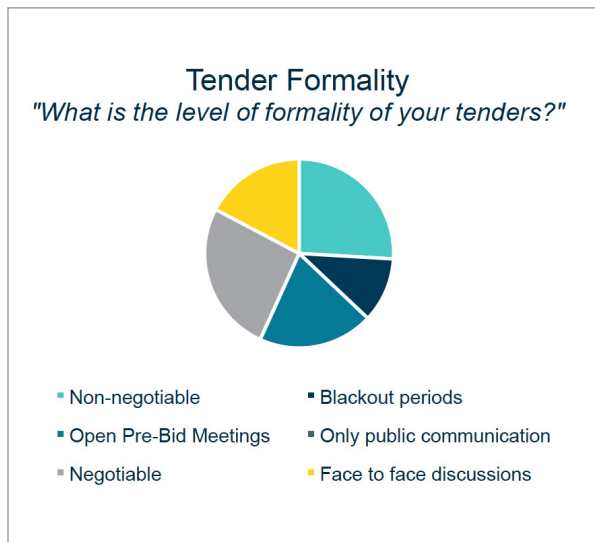


No notable differences were highlighted across industry segments except for pharmacy. As would be expected, the pharmacy segment is not publishing any tenders applicable to medical devices.

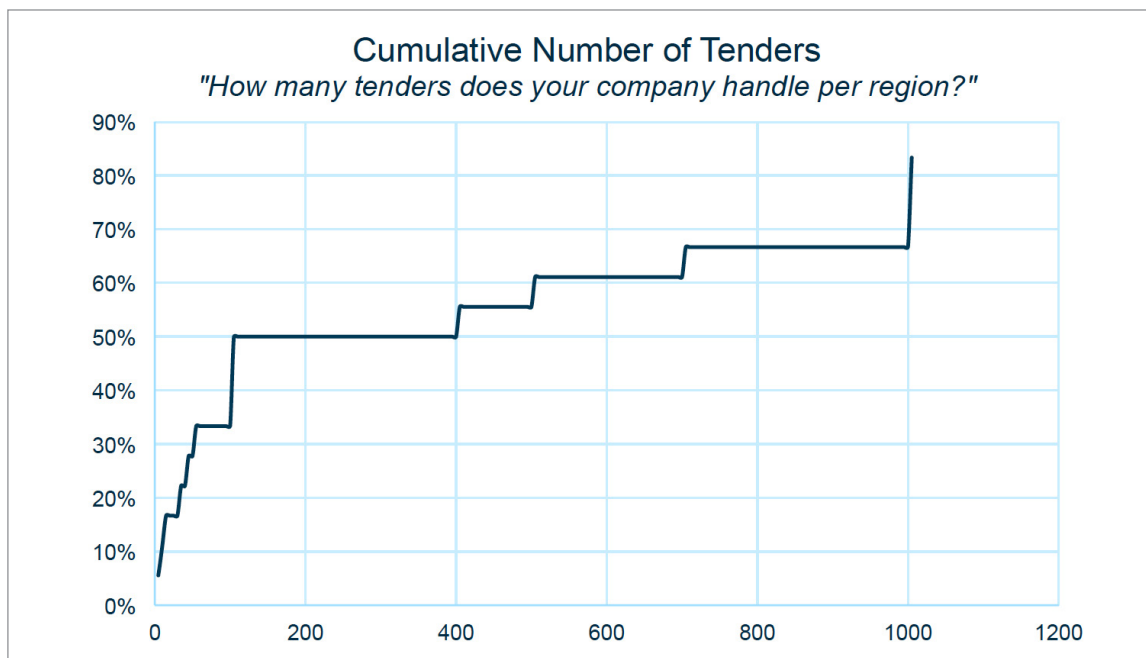


### Tenders Issued

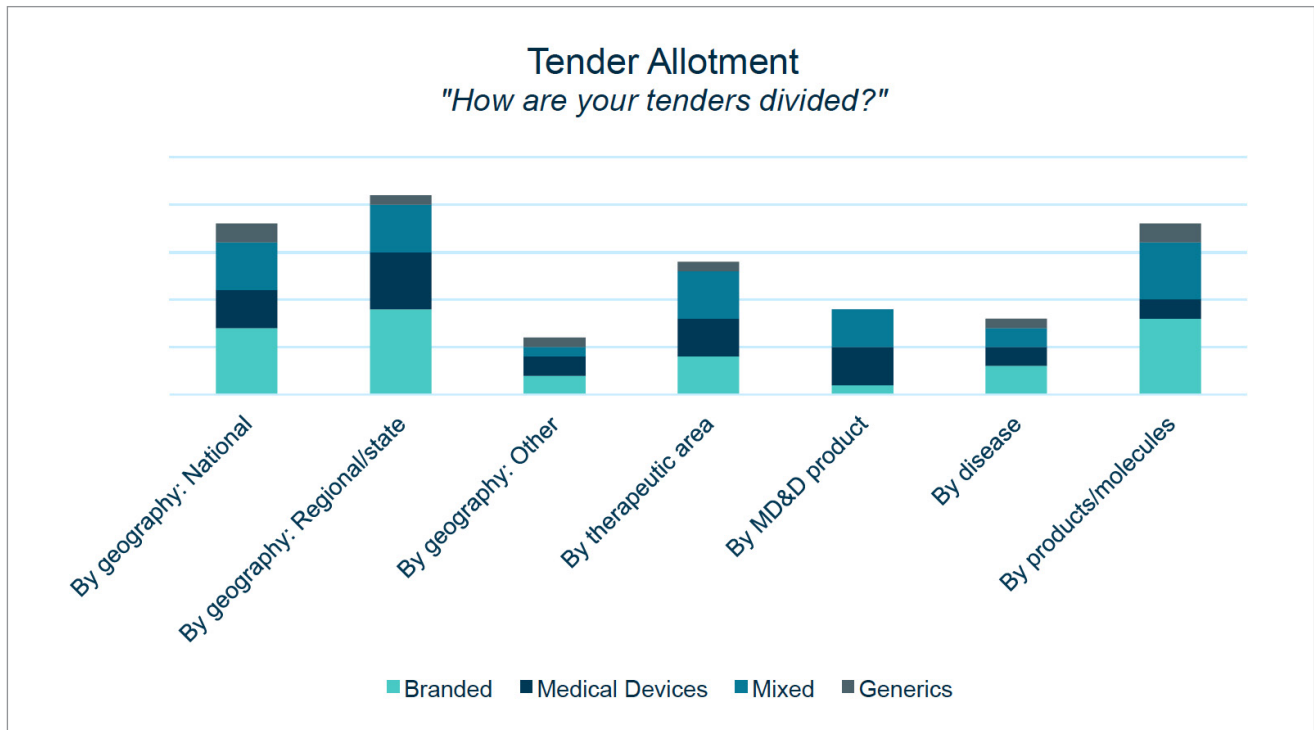
Contrary to standard contracts, the tendering process is governed by specific regulations. This means the process tends to be very formal and rigid with limited interactions with the tendering authority. However, some limited, informal interaction may occur. Survey responses indicated that tender authorities use a spectrum of procedures, following a formal process but allowing for some informal procedures. Survey feedback indicated that the most common tender length is two years. Renewals are very common and apply to all tender lengths, from very short to very long.



On the topic of the number of tenders a company handles per region, a clear threshold emerged above 100 tenders (exactly 115). This necessitates a dual strategy – countries/regions with less than 115 and countries/regions with more than 400. In a typical example, customer service would handle the tenders to cope with the larger workload.



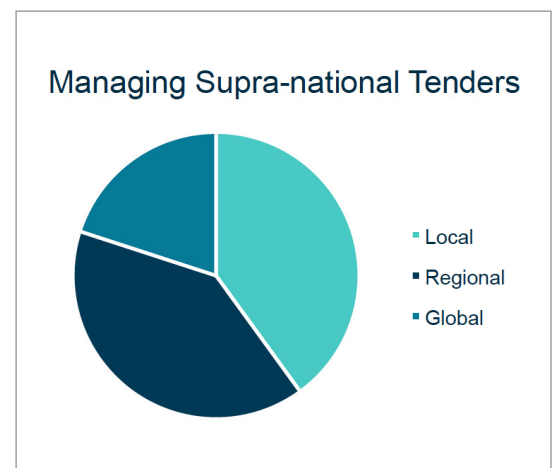
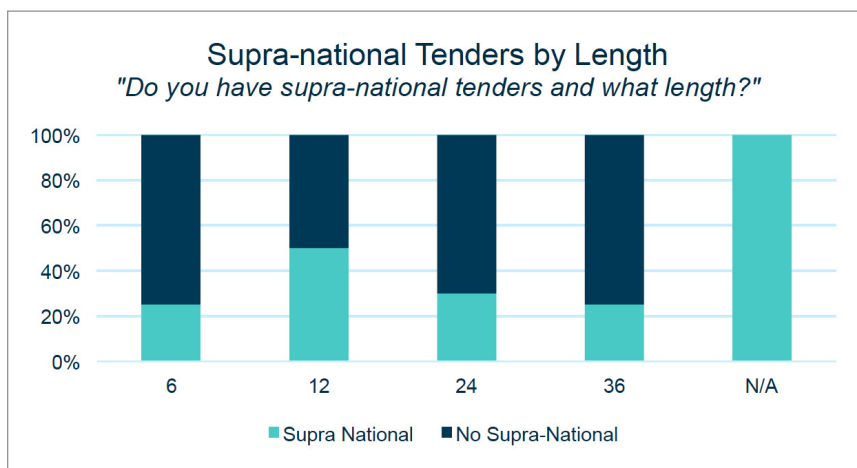
On the subject of tender allotment, overall survey responses revealed no striking differences across industry segments. While geographic allotment was reported as the most common division method, an important caveat arises here, as our experience does not necessarily align with this. There could be some confusion for respondents between “allotments” and “tender segmentation by tender authority”.



### Supra-national tenders

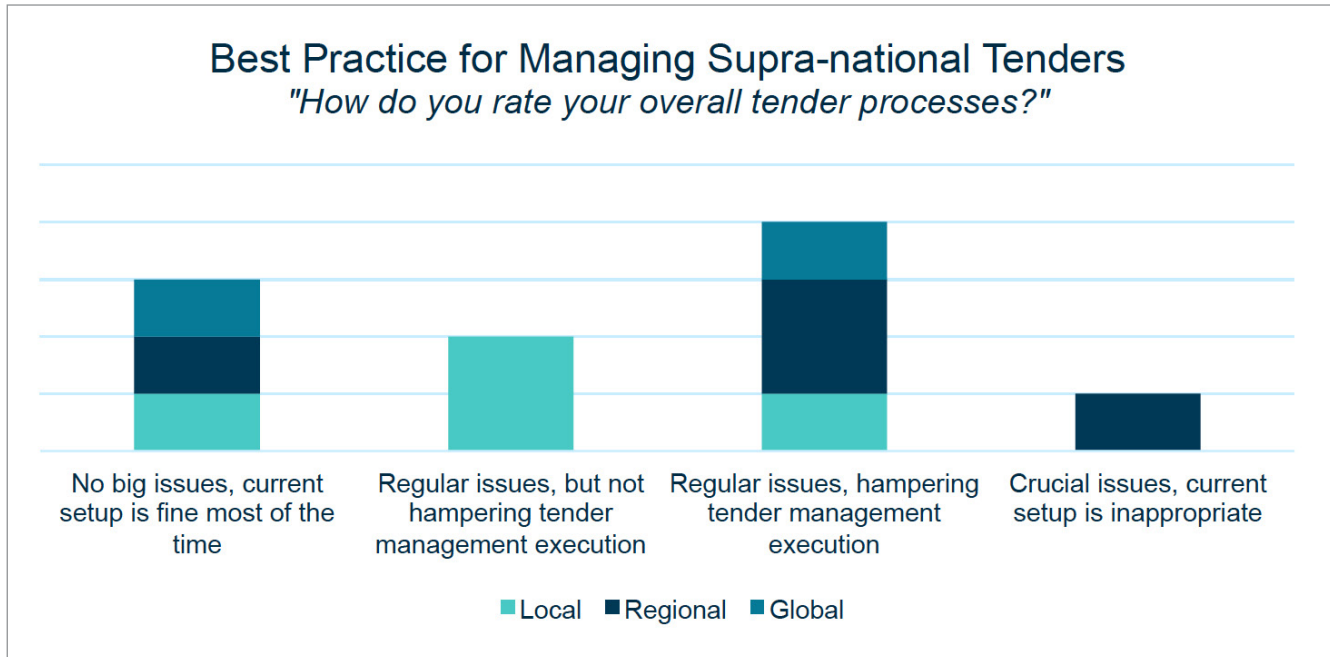
Due to the relative administrative burden of supra-national tenders, we expected to see only longer-term-length supra-national tenders. However, survey respondents reported having both short- and long-term supra-national tenders.

While most of the survey respondents reported managing supra-national tenders at the regional or global level (as expected), many reported local / country-level management, which seems counter-intuitive.



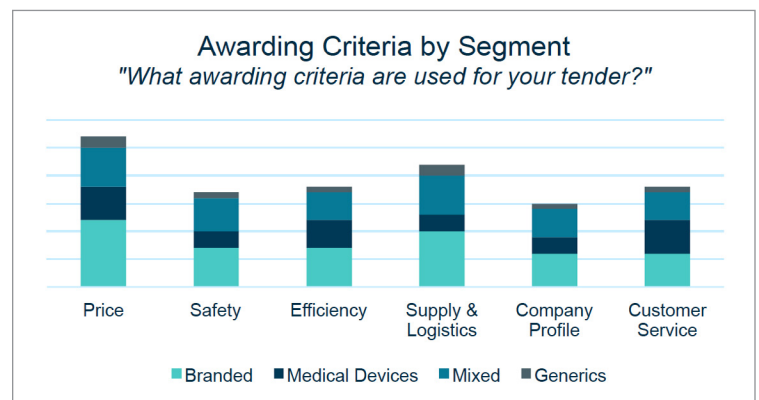
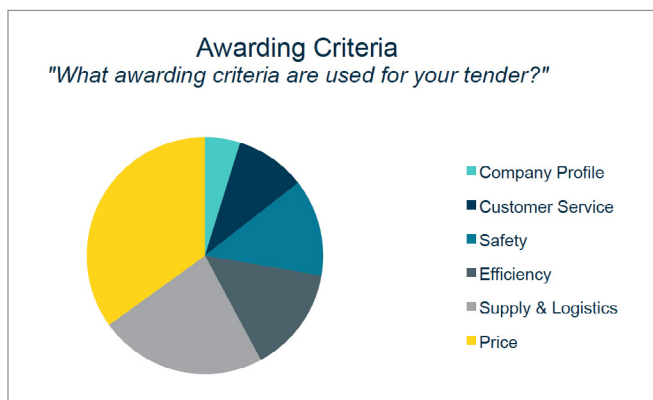
Based on survey feedback rating overall supra-national tender processes at the local, regional and global levels, no clear trend emerged implying potential best practices.

It seems clear that the industry is still learning the **best way to cope** with this type of tender.



## Pre-qualification and Awarding Criteria

Regarding tender pre-qualification and awarding criteria, Price was cited most frequently by survey respondents. While Price generally accounts for 70% of bid award criteria, this prevalence can diminish in weighting as a tender authority matures during the awarding process. In recent years, issuing bodies have begun to add more qualitative criteria such as Safety, Efficiency, and Supply & Logistics. This shift is reflected across all industry segments in the survey results and will be an interesting trend to follow in upcoming years.



## GET ON THE PATH TO TENDERING EXCELLENCE WITH HIGHPOINT SOLUTIONS

To successfully compete in the tender and contracting market, life science companies need a strong and robust tender organization with a global-to-local tender strategy, supported by clear processes and organizational structures. HighPoint can help you optimize your tender organization by developing the following key dimensions:

- **Practical planning and advisory services for Life Sciences organizations looking to expand or optimize current Tendering functions**
- **Data, insight and analytic services to increase awareness of Tenders in-country and ability to win**
- **Evaluation and implementation of technology to support Tendering data and processes**
- **Augmentation of existing teams with experienced Tendering resources**

## HighPointTHOR – TENDER HISTORY AND OPPORTUNITY REPOSITORY

Proper planning of tenders is one of the key challenges for companies. We recommend proactive market screening for upcoming tender opportunities and ensuring all opportunities are captured in a database. **HighPointTHOR can provide this screening and alert notification, as well as all historical opportunities back to 2011.**<sup>3</sup> The licensed service offers:

- Upcoming tender screenings, on a daily frequency – all issued tenders by a Public Authority in Europe, through TED (Tenders Electronic Daily), will be entered into HighPointTHOR. Alert notifications can be sent to a specific distribution list or user group.
- Historical tender data – includes all historical tenders issued by a Public Authority in Europe according to the EU PPD (since 2011 and published through TED).

<sup>3</sup> <http://blog.highpointsolutions.com/do-you-have-the-right-data-to-win-your-tender>

## ANY QUESTIONS? LET'S START THE CONVERSATION.

Since 2000, HighPoint's team of consultants has provided clients in the highly regulated life sciences and healthcare industries with business consulting and technology solutions that continue to deliver business value and competitive advantage to more than 280 clients worldwide. For additional information on any of the material you've read here, please feel free to reach out to either Kelly O'Connor or Ruven Remo Eul.

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