

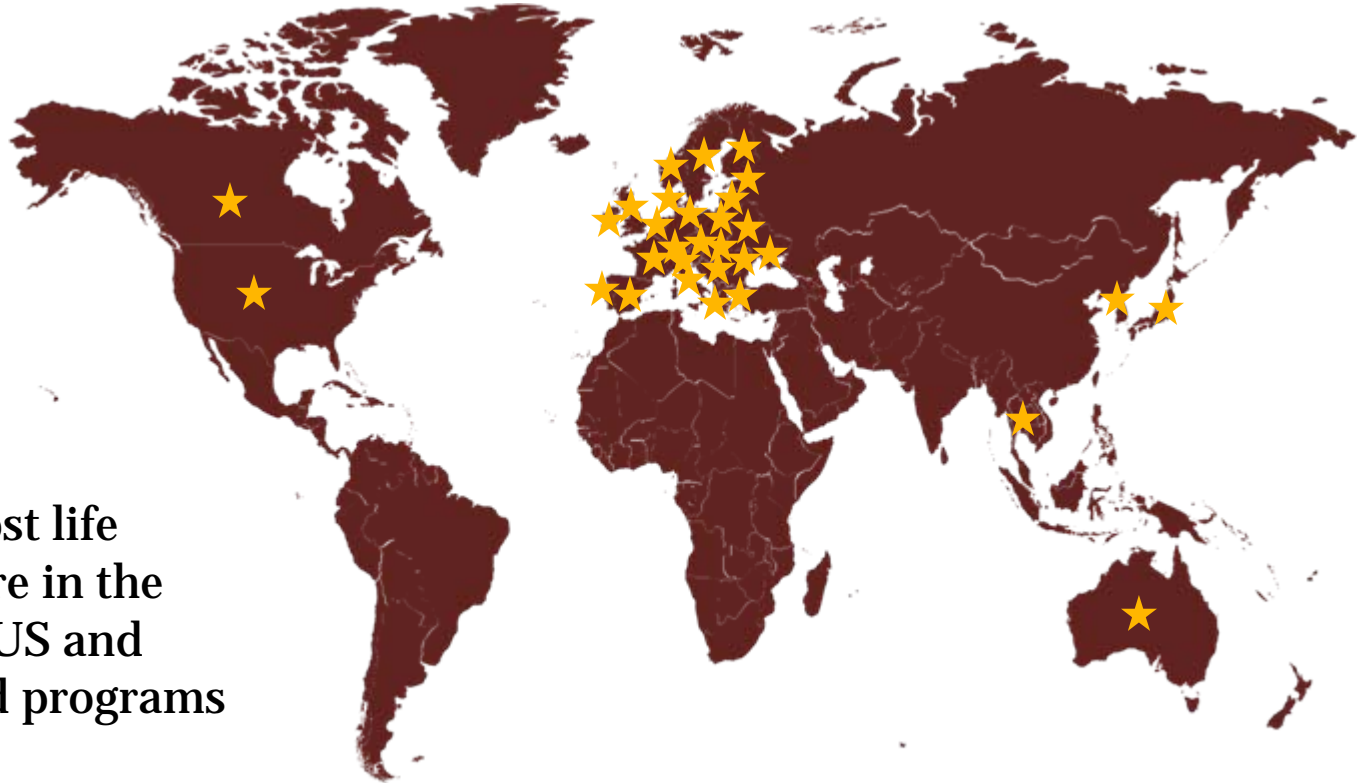
# *PwC Aggregate Spend Benchmarking*

*February 2013*

Strictly private and confidential

# ***Introduction***

- Life sciences companies have been developing aggregate spend programs over the last three to five years with a focus on US State and Federal reporting
- Within the next two years there will be 30+ countries with different tracking, disclosure, and bookkeeping requirements
- PwC wanted to better understand where most life sciences companies are in the development of both US and O-US aggregate spend programs



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# ***Aggregate Spend Benchmarking***

In Q3/Q4 2012, PwC conducted a survey of 14 life sciences companies to understand:

- Historical and planned investments toward US and O-US aggregate spend programs
- Number of current and planned dedicated and part-time resources for each aggregate spend program
- Biggest challenges with the program
- What each company would like as part of a “future state” for their programs
- Average of \$28B in annual revenue across 14 respondents; 5 out of 14 under 10B in annual revenue

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## ***Aggregate Spend Program Costs***

**To better understand the breakdown of overall program costs, we asked respondents regarding investments in the following categories:**

### **Internal/staffing costs**

- Full-time and part-time global compliance and in-country employee costs

### **Consultancy costs**

- Third party consultancy and solution vendor costs

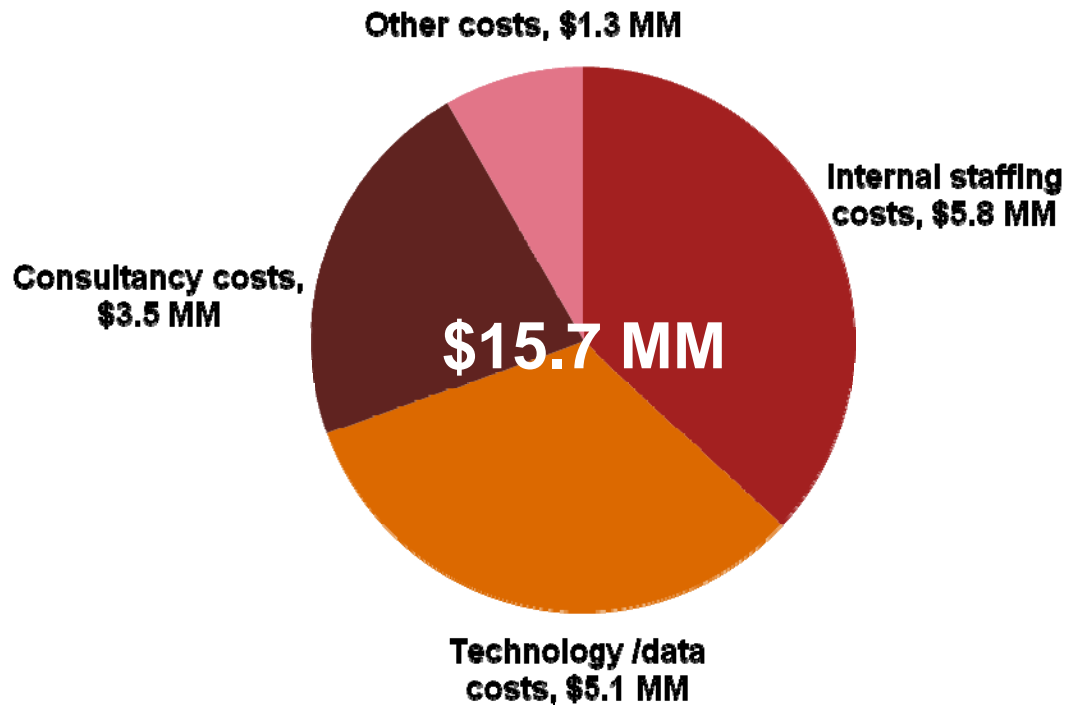
### **Technology/data costs**

- Aggregate spend solution implementation costs
- Source system upgrades
- Third party data costs

### **Other costs**

- Costs shared with other internal initiatives

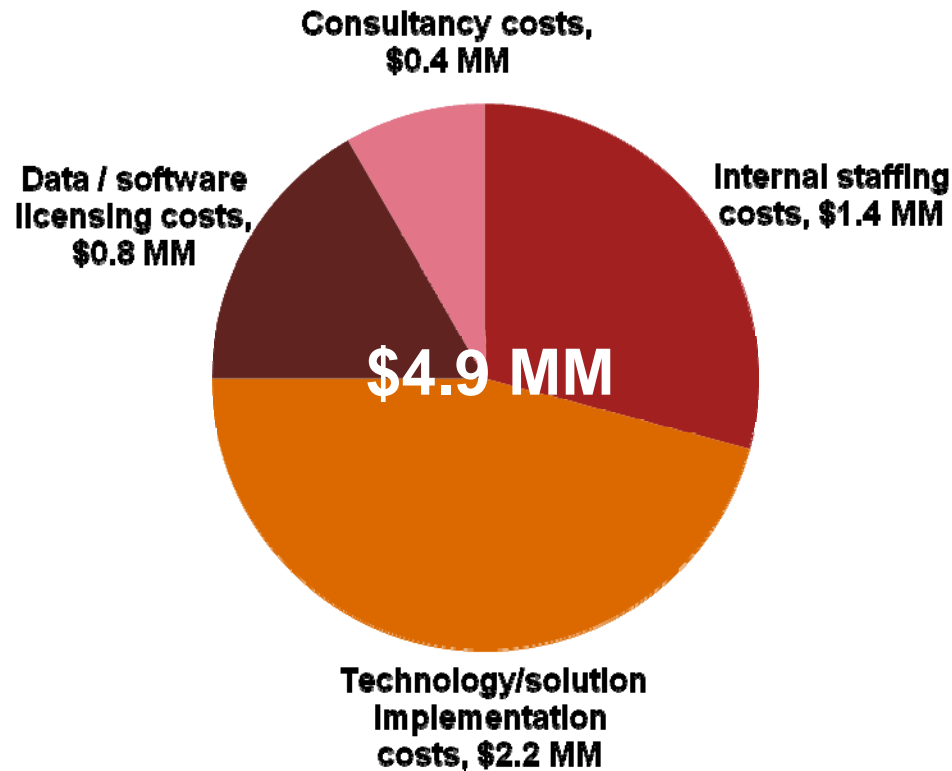
## *Investment over the last three years*



*Respondents spent an average of **\$15.7 MM** over the last three years for US programs alone.*

*Only **two** respondents have started building a global program and the investments were less than **\$2 MM** over the last three years.*

## *Investments planned for 2013 and 2014*

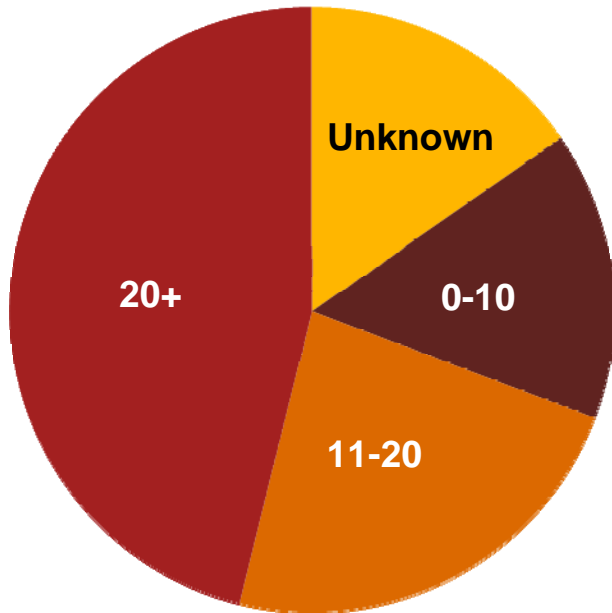


*Respondents plan to spend an average of **\$4.9 MM** over the next two years in the US to comply with PPACA.*

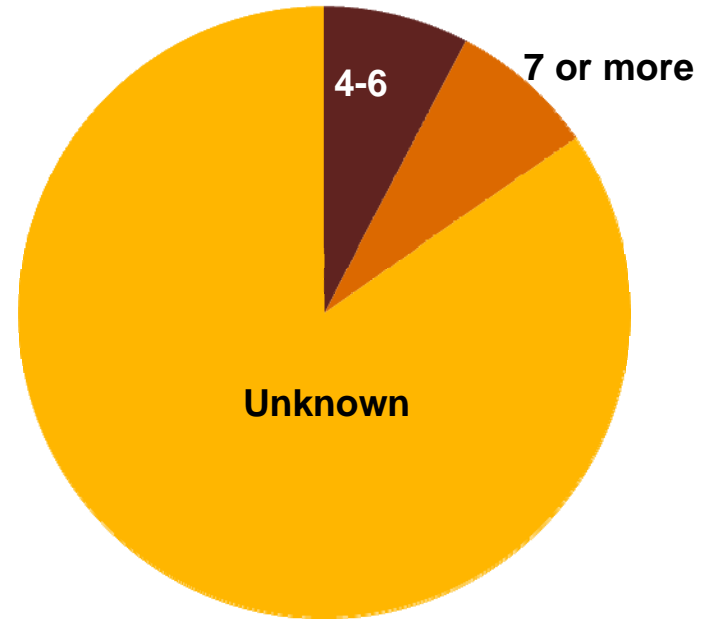
*Only **one** respondent has planned investments (**~\$1 MM**) for a global aggregate spend program over the next two years.*

## *Dedicated resources for aggregate spend program*

**US resources**



**O-US resources**



***Respondents have cross-functional teams in place to handle US State and Federal reporting, however 85% of respondents still do not know many resources will be needed to handle global requirements.***

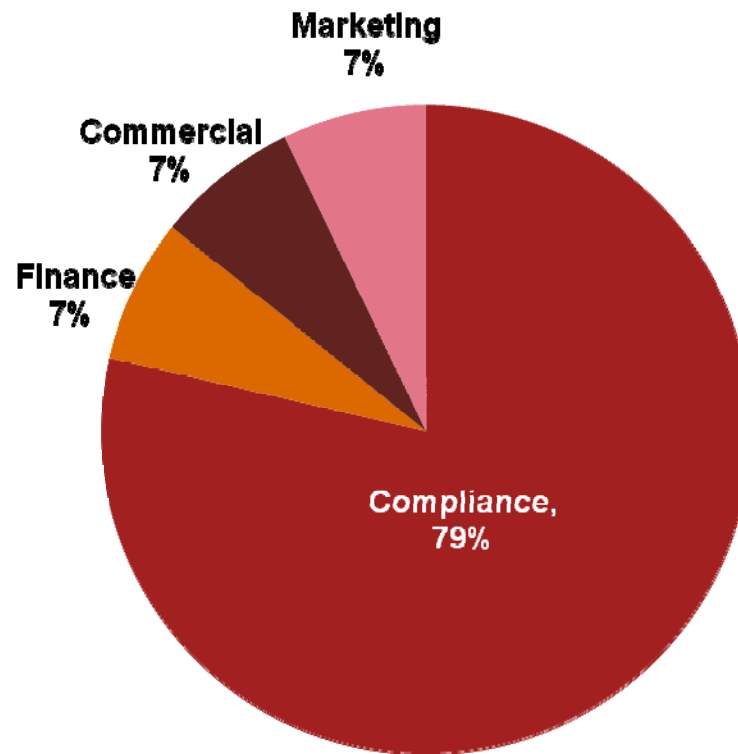
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## ***Investment Findings***

- Respondents will be spending on average **44%** of their overall future investments on **technology / data costs** which **is 13% higher** than the overall spend on technology / data over the past 3 years, supporting the notion that technology solutions have not yet yielded desired results
- Respondents have budgeted **less on future consulting costs** despite the continued effort of implementing reporting solutions
- Respondents have **budgeted a lower proportion** of their future investments on **internal/staffing costs** despite the increased need for data management/remediation activities as new requirements emerge
- While **all** respondents have spent millions of dollars in implementing a reporting solution to handle U.S. requirements, **25%** of respondents **changed solution vendors** during the U.S. reporting solution implementation.
- Only **25%** of respondents have started implementing an approach/strategy to handle O-US requirements.



## *Ownership of Aggregate Spend Program*



***79%*** of responding companies have assigned compliance as the day-to-day owner of the US and O-US aggregate spend programs.

***All*** respondents have assigned the certification process to the Chief Compliance Officer

# Aggregate spend program feedback

What do you wish your aggregate spend program had that it currently does not?

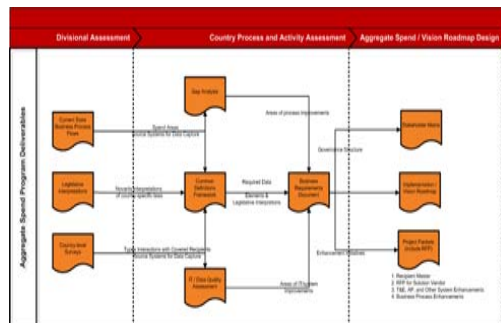


## Data management

“Ability to manage significant volumes of data better”

“Global unique customer master identifiers”

“Data processing is still somewhat intensive. New functionality or enhancements to system still require extensive resources”



## Change management

“Flexibility to change along with change in risk tolerance/ treatment of the organization”

“Better global scalability and more automation of current manual processes’ organization”

“More flexibility for updates and changes”

Business Unit	Region	Business Process	System	Program	Key Deliverables	Timeline	Resources	Dependencies
Global	North America	Procurement	Oracle	Supplier Management	Supplier Onboarding	Q3 2024	5 FTE	IT Support
Global	Europe	Procurement	SAP	Contract Management	Contract Renewal	Q1 2025	3 FTE	Legal Review
Global	Asia	Procurement	Oracle	Supplier Onboarding	Supplier Onboarding	Q4 2024	4 FTE	IT Support
Global	Latin America	Procurement	Oracle	Supplier Onboarding	Supplier Onboarding	Q2 2025	3 FTE	IT Support
Global	Africa	Procurement	Oracle	Supplier Onboarding	Supplier Onboarding	Q3 2025	2 FTE	IT Support
Global	Oceania	Procurement	Oracle	Supplier Onboarding	Supplier Onboarding	Q4 2025	2 FTE	IT Support

## Monitoring and business insights

“Better Ad-Hoc inquiry and reporting capabilities”

“Added reporting functionality to support operations and growth businesses”

“Monitoring to identify potential compliance issues more pro-actively”

# ***Benchmarking survey learnings***

**Given the growing complexity and rising costs, companies will have to invest more in aggregate spend capabilities to report accurate and complete information to each country.**

Companies will need to invest more to build programs to handle all global requirements

More regional and country requirements are coming

Investments in building US programs have been significant but have not yielded expected outcomes

Most companies do not have a global approach in place



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## ***Contact Information***

**If you would like more information or a consultation please reach out to:**

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