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COVID-19: UK industry focus

Where next for pharma and life sciences?





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Where we are today

While many businesses have been forced to prioritise basic survival during the COVID-19 crisis, pharma and life sciences companies have had to balance the challenge of ensuring their own operational health with, in some cases, soaring demand for treatments and therapies to help combat this devastating pandemic.



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Our economic modelling predicts a double-digit decline in the UK economy during Q2, and no organisation reliant on selling to businesses and consumers can take that lightly. Such a decline can lead to a reduction in healthcare spending, which would likely put pressure on drug pricing and increase focus on providing value for money.

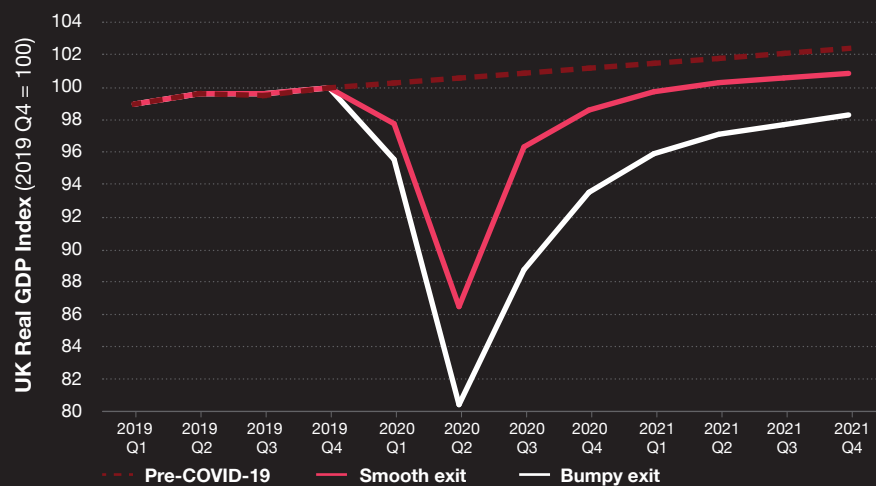
PwC research of 1,000 UK consumers revealed 78% believe pharma companies are working hard to develop vaccines and solutions for COVID-19, while 74% believe they are working hard to ensure patients get access to required medicines. Linked to this, 56% say their impression of pharmaceutical companies has positively increased during this crisis.

For pharma companies that have had to contend with a mixed reputation in the eyes of the public in recent years, this is an opportunity to prove how instrumental they can be in creating a stronger and fairer health system. Although pharma companies have enjoyed economic success, there have been challenges in terms of collaboration with healthcare delivery systems. As a result, they've been subject to a less favourable consumer trust profile than the provider segment of healthcare. This crisis has provided an opportunity to change that.

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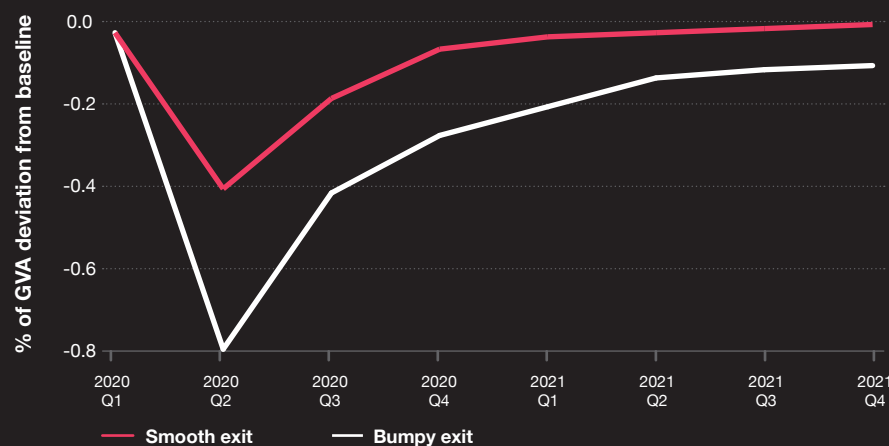
Comparison of real GDP index by scenario and pre COVID-19*



*Relative to baseline projection

Source: Strategy& UK Economic Analysis April 2020

Impact of COVID-19 on Pharmaceuticals GVA by scenario



Source: Strategy& UK Economic Analysis April 2020

As was the case before COVID-19, an appetite for innovation will be particularly key to success. Over the last few years, the proportion of innovative molecules discovered and developed by early stage biotechnology companies, compared to pharma companies, has increased, leading to a major shift in the industry's discovery model.

Historically, during periods of economic downturn, funding environments for biotechnology companies have become tough. Although many biotechnology companies currently have resilient balance sheets and healthy cash reserves, a prolonged recession may limit the ability of early stage companies to progress their pipelines.

As such, larger life sciences companies have to be proactive early on in the development cycle, in order to ensure they're in a position to support highly innovative companies to maintain the productivity of the industry pipeline.

This period can be a transformative one for the pharma and life sciences sector, but agility, innovation and collaboration will be essential.

44,000

Current no. of sector employees

'Total number of employees' represents the total number of employees in the pharmaceutical sector. These figures are deduced from ONS data, specifically the Business Register and Employment Survey 2018 provisional.

LOW

Jobs at risk RAG rating

'Jobs at risk' rating reflects the analysis conducted by the International Labour Organisation. They assessed the global impacts of COVID-19 on different sectors, assessing those most likely to lay off workers due to lower cash flow.

30%

of workers normally come into physically close contact with >20 fellow workers

Physically close contact is defined as a distance of 2m. Source: PwC Research QuantiBus April 2020.

46%

of workers can work from home

The Work From Home index is based on a survey carried out by PwC Research, and is the equivalent to the % of respondents saying they can work from home.

What are we learning?

A time to emphasise purpose

Life sciences companies have found themselves in the spotlight. The public, governments and healthcare providers are turning to them for vaccines and treatments. While this has introduced immense pressure, it's also given them a greater voice at the table in the wider context of healthcare.

Life sciences companies have a unique chance to reinforce their purpose and remind everyone their goals extend far beyond just selling drugs and generating profits. They should use this time to channel more resources into emphasising their commitment to non-profit and public health initiatives. More generally they should focus on, and invest in, promoting themselves as an important part of the healthcare ecosystem when it comes to research and data sourcing for diagnostics tests and therapeutics. This is equally relevant to their external stakeholders as it is to their employees.

According to the Association of the British Pharmaceutical Industry (ABPI), [pharma companies spent £26.2 million on donations and grants](#) to UK healthcare organisations in 2018. Nonetheless, there is still scope for them to have a greater impact on a global scale, beyond donations to more tangible partnerships.

The upside of removing barriers

COVID-19 has also shown the importance, both for companies and general populations, of removing barriers to healthcare in relevant disease areas. It's demonstrated the importance of the global affordability of medicines, and it's given life sciences companies the chance to participate in this debate and reconsider what affordability means in the context of a severe economic crisis. This will be particularly important as the tough macroeconomic backdrop endures, exerting significant funding pressure and leading to an even greater focus on delivering value to the patient and healthcare systems.

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Greater collaboration also deepens relationships across the industry, and enhances alignment and partnering opportunities which will improve pharma and life sciences access and growth. A better and earlier dialogue among stakeholders can expedite regulatory approvals, support easier identification of patients who might be appropriate for therapies, and help establish mutually beneficial arrangements around access to medicine and pricing, for example.

A new approach to R&D

As healthcare systems have had to adapt to a surging number of critically ill patients, governments have been forced to redirect healthcare staff, hospital beds and laboratories to the COVID-19 response.

One consequence of this has been life sciences companies having to delay clinical trials of therapies for illnesses other than COVID-19. We've seen hundreds of trials already delayed. This is having a severe impact on the pace and scope of research and development (R&D) and is forcing companies to identify alternative site solutions and more innovative ways of approaching trial management and data collection.

A [2018 report by PwC's Health Research Institute \(HRI\)](#) found only 24% of R&D executives said their organisation uses artificial intelligence to analyse trial data, and only 8% said they had conducted a trial that included remote clinical data collection outside of a medical facility.

But among the 91% of R&D executives who said their companies hadn't used remote data collection for trials, 25% said they would consider trial protocols with remote data collection over the next two years. This crisis should accelerate progress towards digital alternatives.

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How do we respond?

Embrace the possibility of new ways of operating

As has been the case across many other industries, COVID-19 has challenged the limits of past ways of operating and forced experimentation by necessity.

One such response is an increase in collaboration. The interdependent nature of the industry has become more obvious than ever: companies must look to each other, communicate and cooperate to be able to offer solutions. This pandemic has demonstrated the opportunities life science companies have to partner with the health system when it comes to addressing chronic disease issues, and it's underscored the role they can have in combating future health crises.

Social distancing measures and curtailed resources have meant remote processes have had to replace existing protocols, including virtual consultations, remote monitoring and electronic collection and management of trial data. In 2018, a [PwC HRI survey](#) found 78% of patients were interested in being able to choose between in-person and virtual care options.

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Meanwhile, new clinical trial applications for the treatment or prevention of COVID-19 are being prioritised and fast-track procedures to expedite the process have been put in place, such as the European Medicines Agency (EMA) [commitment to providing early support to medicine and vaccine developers](#). Early open dialogue between life sciences companies and regulatory authorities is paving the way for vaccine development at "pandemic speed" and should be considered an example of what's possible.

This increased willingness of authorities to embrace new approaches is encouraging and demonstrates how the healthcare ecosystem can work together to find swift solutions when required. It is also demonstrating the advantages of creating a forum to explore approval processes that prioritise efficiency and deliver mutual benefits. Pharma companies should continue to apply some of these approaches where appropriate in future, particularly considering that COVID-19 provided an opportunity to assess risks.

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Double-down on digital

The COVID-19 crisis has demonstrated the value of having a fully integrated customer interaction approach that allows for communication preferences to be accommodated, and flexibility provided, in a socially distanced environment.

Most companies already have digital initiatives for customers, but the emphasis has to be on an integrated approach that guarantees no loss of business continuity. Standalone initiatives won't suffice. For companies that can provide such a service, the upside will be huge. But investment is essential. Companies must ensure they are allocating funding so information can be shared securely between patients, providers, payers and life sciences companies. Investing in the design and implementation of patient connectivity tools is also important so healthcare and patient behaviour information can be collected and shared with providers and patients easily and safely.

Becoming a leader in digital connectivity will involve upskilling. Learning and development might not seem a natural priority in an economically uncertain environment, but companies must consider it an investment that will pay off in the long run.

Identify and fix the weak links in your supply chains

One vulnerability of the sector that has become particularly apparent through the COVID-19 crisis, has been geographic concentration of manufacturing. India, for example, which is the world's biggest exporter of generic drugs, is believed to depend on China for about 70% of its raw pharmaceutical materials.

Companies must use this opportunity to de-risk their supply chains and redress the balance between access and affordability and in some cases not be scared to engage in a radical overhaul of their business models

The pandemic has also raised concerns around the availability of Active Pharmaceutical Ingredients (APIs), the production of which has become increasingly concentrated in India and China, and this should provide an urgent call to arms for companies to identify, unlock and remove supply chain bottlenecks.

Now is the time to engage in robust scenario planning to limit future damage. Companies should consider multi-node manufacturing models with regional presence in manufacturing and supply chain support that enables risk sharing and efficient mobilisation of capacity. Build redundancy into markets for essential products to provide geographic buffering and assessing the possibilities and limitations of large-scale stock-piling should also be considered.

Finally, it might also make sense for companies to agree on data sharing standards to allow for cross-industry collaboration where commercially appropriate. That can eliminate the need for investing in costly new manufacturing sites and will help companies to make better use of existing capacity across the industry.

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Plan now to emerge stronger

Though COVID-19 is challenging pharma and life science companies in unique ways, it's also highlighting ways in which the industry can redefine itself, evolve its operating models, mitigate future risk and serve as a conduit for widespread progress. Now is the time for companies to prove their agility. They can repurpose lab space for diagnostic purposes, for example, and deploy skills and resources in areas of crisis management where it's needed most. In this sense, they can be the architects of a fairer and more accessible healthcare system for all.

COVID-19 has erroneously been described as a great leveler. We've seen the opposite to be true: the virus has exacerbated inequality by having a vastly different impact on individuals depending on their social class, location and income.

Our [recent report](#) into the social determinants of health showed where we live and work still has a massive impact on the choices shaping our physical and mental wellbeing. COVID-19 has reinforced the conclusions we drew from that research and underscored the urgency with which we should be addressing these determinants.

Here too, pharma companies now have an opportunity to take the lead and begin to address and test ways in which fairness might be instilled in the care system more widely.

By collaborating and innovating, they'll not only be able to provide solutions to today's most pressing problems, but potentially even more complex ones in years to come.

Who to talk to

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