

# **Evolving Business Models for Bio-Pharma R&D – Challenges and Opportunities**

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**Stephen A. Bent, Partner**

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# Pharma Business Challenges

- **Extended Product Cycle**
  - high-risk, multi-stage development
  - extensive pre- and post-launch regulation
- **Intensive Pricing/Marketing Pressures**
  - government intervention
  - generic competition
- **No “Low Hanging Fruit” Left!**
  - investment in new, basic technologies
  - combining of disparate technologies

# Pharma vs. Biotech – Clash of Cultures

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- Pharmaceutical Sector: **Invigorate pipeline with lower project risk**
  - collaboration and acquisition
  - “advance or terminate” R&D mandate
- Biotech Sector: **Innovate in new territory while managing burn rate**
  - collaboration and tech transfer
  - “first (or best) in class” R&D mandate



# Meeting the Challenges (I)



## ■ Focus and Outsource

- organize around smaller, semi-autonomous, multi-disciplinary teams
- cultivate “virtual” structures  
(no *Not Invented Here* syndrome)

## ■ Monitor/Foster Innovation Sources

- data mining, internal and external
- involvement with academia & non-profits


## ■ Communicate and Integrate

- invest in e-solutions and informatics



# Meeting the Challenges (II)

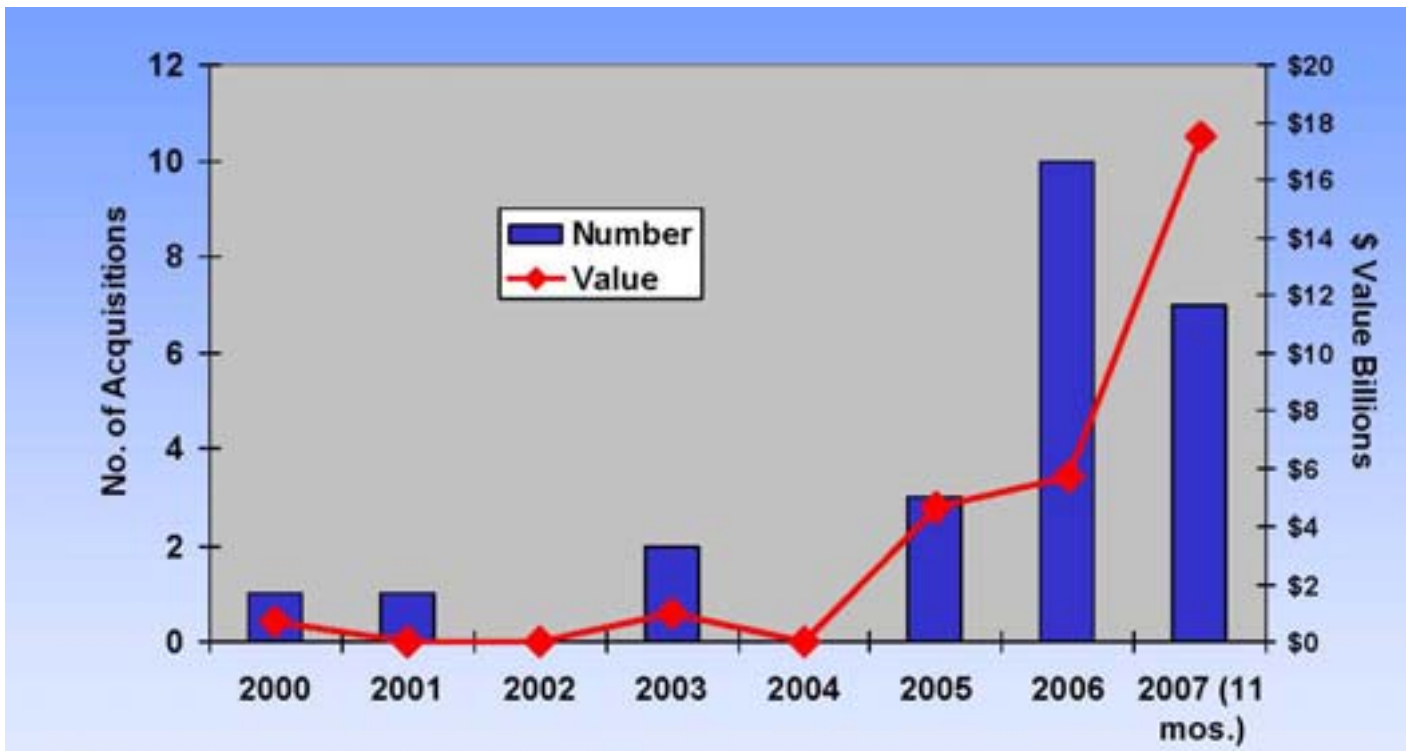
- **“Selective Integration”** (strategic drivers, monetized costs, risk-/profit-sharing with milestones)
  - AZ/BMS : diabetes
  - Pfizer/BMS : cardiovascular disease
- **“Disaggregation”** (productivity/focus drivers, typically early-to-mid stage)
  - GSK/internal : goal of becoming more “biotech-like”
  - Pfizer/Esperion: research spinout; equity position
- **“Optioned hybridization”** (productivity/focus drivers, allocation of rights, callbacks, early stage)
  - Piramal with Lilly, Merck: pre-clinical, multiple areas
  - J&J with 20-20 GeneSystems: lung cancer markers



# Frontiers of Co-Development

- “Personalized Medicine”
  - pharma are from Venus, diagnostics are from Mars
  - pharmacogenomics vs. “blockbuster”
  - no clear cost-benefit yet to payors
- “Regenerative Medicine”: business model, anyone?

# Quest for Biologics Capability

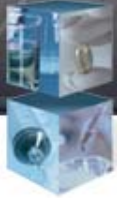


Big Pharma and Big Biotech acquisitions of companies focused on large molecules.  
SOURCE: Windhover's *Strategic Transactions Database*



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# Questions?



## **Stephen A. Bent (柏思迪)**

Foley & Lardner LLP

Washington Harbour

3000 K Street NW, Suite 500

Washington, DC 20007-5143

Phone: (202) 672-5404

Email: [sbent@foley.com](mailto:sbent@foley.com)

