



UPS 2011 PAIN IN THE (SUPPLY) CHAIN SURVEY

Taking the Pulse of Global Change

Healthcare manufacturers around the globe are gearing up for rapid change, according to the fourth annual UPS “Pain in the (Supply) Chain” survey conducted by TNS. The survey explores top business and supply chain concerns of senior-level decision makers at nearly 250 pharmaceutical, biotech and medical device companies in the U.S., Europe and Asia. It also uncovers global trends impacting healthcare supply chains.

Findings from 2011 show that companies are focused on three areas: Investment (in technology and global expansion); Protection (in areas of intellectual property and product security) and Acceleration (in levels of concern around issues and changes in the supply chain).



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2011 KEY FINDINGS

Findings are organized around the following trend areas:

Global issues and concerns:

- [Reform, regulations and legislation](#)
- [Intellectual property protection](#)
- [Cost management](#)

Growth strategies:

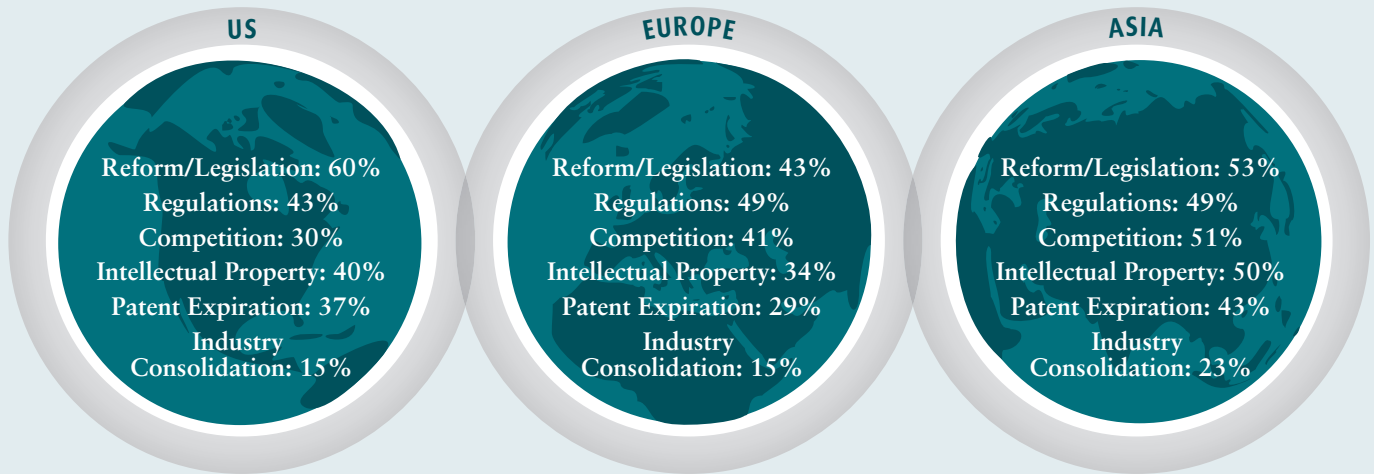
- [Global market expansion](#)
- [Technology investment](#)

Other trends:

- [Changing channel strategies](#)
- [Sustainability drivers](#)

TOP HEALTHCARE BUSINESS CONCERNS BY MARKET

Changes in healthcare legislation and reform top the list of business concerns of healthcare companies in the U.S. and Asia – cited by 60% and 53% of companies respectively – while increasing regulations ranks highest in concern among European decision makers (49%).



Question: Please rate the following general business issues which may or may not impact your business in the future.
Scale: 1–Not at all concerned, 7–Extremely concerned

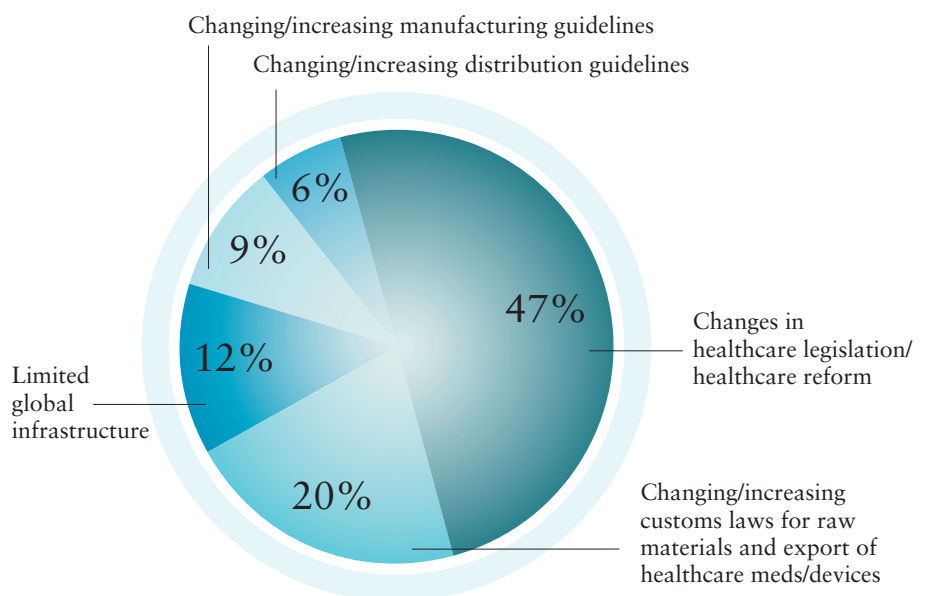
REFORM, REGULATIONS AND LEGISLATION

Regulatory and reform concerns and issues not only rank high on the list of business and supply chain concerns for the fourth year in a row, but concern levels have increased.

Fast facts:

- Among U.S. companies, concerns about healthcare reform have risen, with 60% reporting concern versus 55% in 2010
- Increasing regulations is the second largest business concern, cited by 48% of global respondents
- Regulatory compliance tops the list of supply chain concerns cited by 73% of respondents

CHANGES IN REFORM/LEGISLATION THE GREATEST BARRIER TO PROVIDING QUALITY, AFFORDABLE HEALTHCARE



Question: What do you think will be the greatest barrier to providing quality and affordable healthcare?

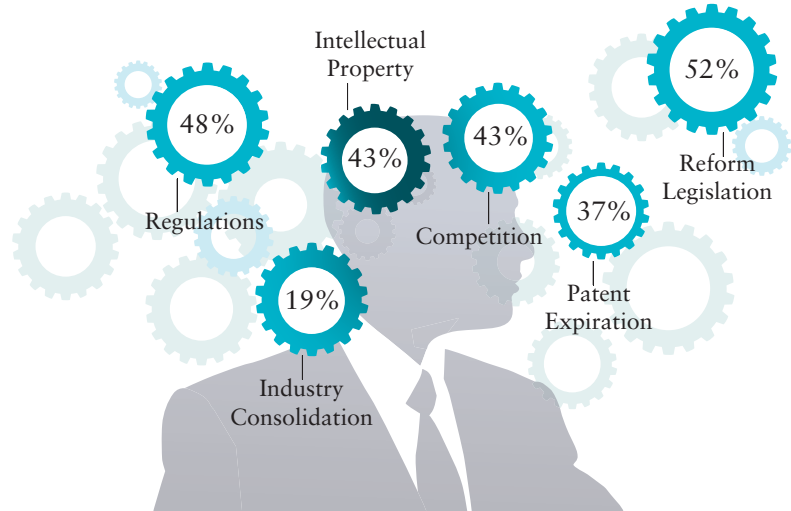
INTELLECTUAL PROPERTY PROTECTION

Likely driven by significant global expansion in the healthcare industry and upcoming patent expirations, intellectual property protection has emerged as a key concern for healthcare companies around the world, especially with pharma/biotech companies.

Fast facts:

- Intellectual property (IP) protection ranked as the second largest barrier to global expansion, cited by 31% of respondents
- Concerns ranked highest in Asia, where 50% were concerned about IP protection versus 40% in the U.S. and 34% in Europe
- Among pharma/biotech companies, 50% were concerned about IP protection

IP PROTECTION IS A TOP THREE BUSINESS CONCERN FOR HEALTHCARE COMPANIES



Question: Please rate the following general business issues which may or may not impact your business in the future.
Scale: 1–Not at all concerned, 7–Extremely concerned

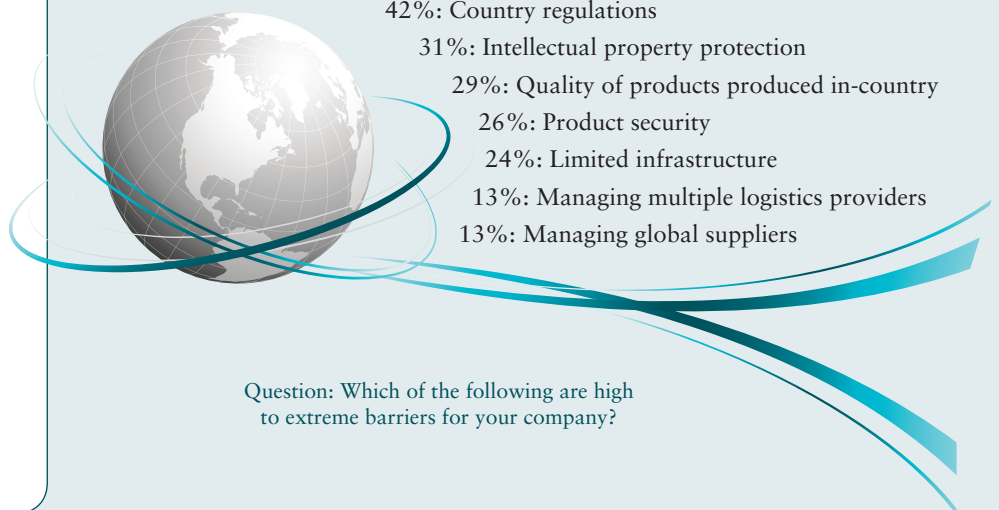
GLOBAL MARKET EXPANSION

Healthcare companies are heavily focused on global expansion, with most having expanded into new markets in the past 18 months and even more planning to do so in the next three to five years.

Fast facts:

- 70% of respondents reported having tapped new global markets to expand their customer base as a key strategy over the past 18 months
- 81% said they would tap new global markets to expand their customer base and increase competitiveness in the next 3-5 years
- 75% of respondents in Asia cited tapping new global markets as a strategy to increase competitiveness versus 58% in the U.S.
- The top five markets for global expansion are: U.S., China, India, Japan and Brazil

BARRIERS TO GLOBAL EXPANSION



Question: Which of the following are high to extreme barriers for your company?

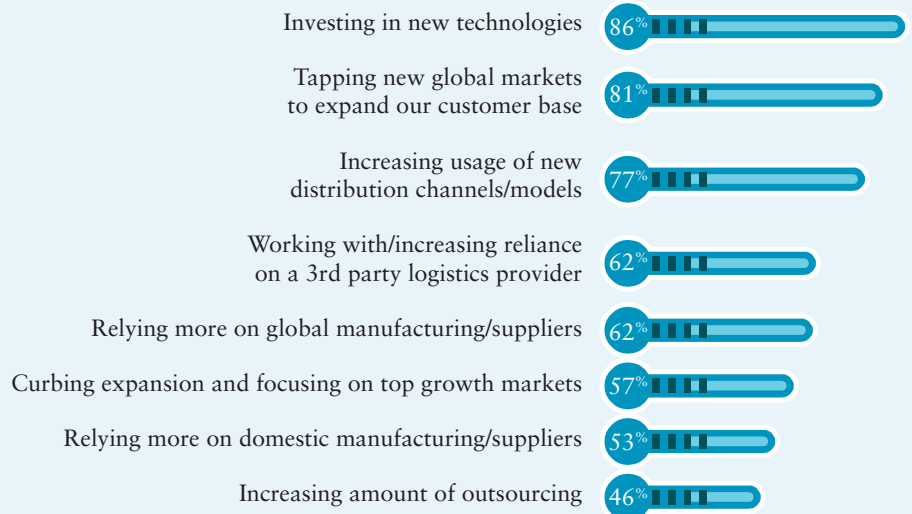
TECHNOLOGY INVESTMENT

Technology investment ranked as the top strategy healthcare companies have employed for increasing their competitiveness, and many further investments are planned in this area.

Fast facts:

- 72% of healthcare companies invested in new technologies in the past 18 months
- By market:
 - 93% of U.S. company respondents plan to invest in new technologies in the next 3-5 years
 - 85% in Europe plan to do the same
 - 82% in Asia plan to use this strategy

STRATEGIES PLANNED FOR NEXT 3-5 YEARS



Question: Which of the following strategies do you plan to employ over the next three to five years to increase efficiencies and/or improve your competitiveness?

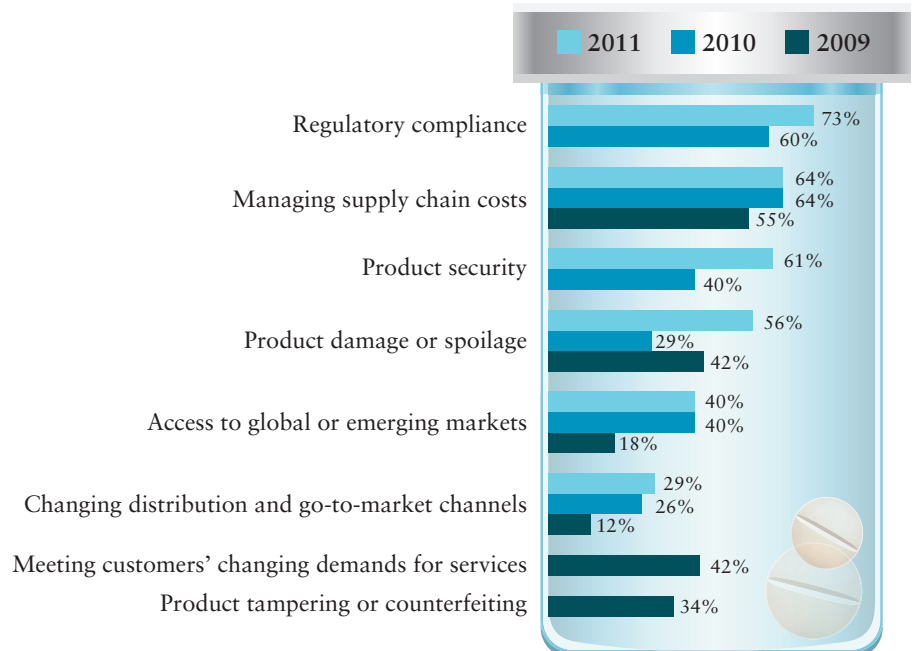
COST MANAGEMENT

Managing costs is a top supply chain issue for healthcare companies as they look to expand supply chains globally into new markets and capitalize on new business opportunities. While cost management has been a top concern for several years, healthcare companies still struggle in addressing the issue.

Fast facts:

- Managing costs ranked the second largest supply chain issue, cited by 64% of decision makers
- Supply chain cost management was a much bigger concern in the U.S. (72%) and Asia (70%) versus Europe (49%)
- Managing costs also ranked as one of the top issues companies were unsuccessful in addressing, with only 42% reporting success around cost management globally
- In the U.S., companies are getting better at cost management, with 53% of companies reporting success in addressing supply chain cost management issues versus only 44% in 2010

COST MANAGEMENT ISSUES REMAIN A TOP CONCERN FOR U.S. COMPANIES EVERY YEAR



Question: Please rate the following supply chain issues which may or may not impact your business in the future. Scale: 1–Not at all concerned, 7–Extremely concerned

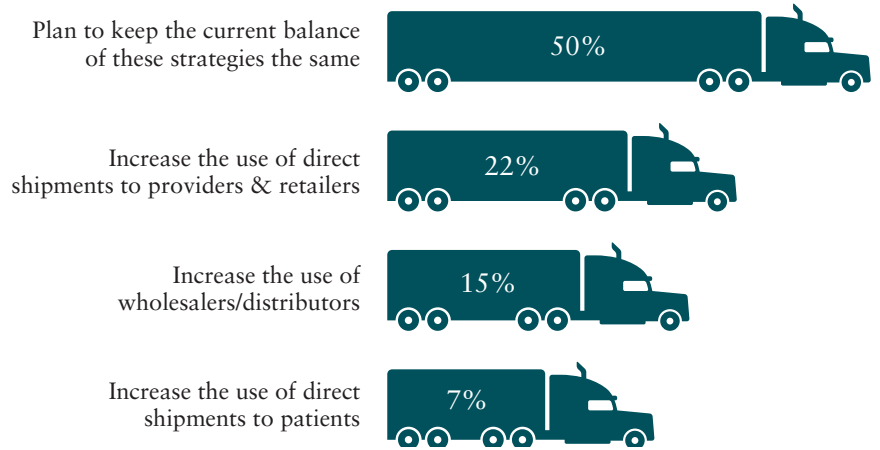
CHANGING CHANNEL STRATEGIES

Over the past few years, healthcare companies have looked to new distribution channels and models to increase competitiveness and drive efficiencies. Channels they have used include going through wholesalers and distributors as well as going direct to providers, retailers and end patients.

Fast facts:

- 59% increased their usage of new distribution channels/models in the past 18 months
- 77% plan to increase their usage of new distribution channels/models in the next 3-5 years
- 81% of pharma/biotech companies plan to increase their usage of new channels/models in the next 3-5 years

STRATEGY CHANGES IN THE NEXT 18 MONTHS



Question: Generally speaking, over the next 18 months do you plan on changing any of the following strategies?

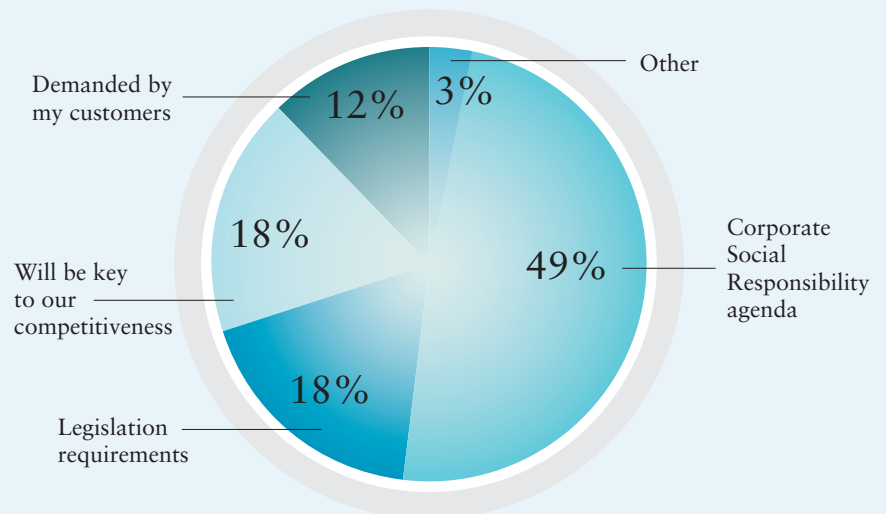
SUSTAINABILITY DRIVERS

As sustainability becomes more important across industries, this year's survey explored healthcare executives' views from a global perspective to determine the top drivers for companies to engage in greener practices. Findings showed that legislative requirements, while a large concern for healthcare companies in general, were much less of a concern related to sustainability.

Fast facts:

- 30% of companies are adopting greener practices because of external influences and pressures versus 67% who are doing so for business alignment and strategy reasons
- Corporate responsibility will be a bigger force towards greener practices in the United States (55%) than in Europe (38%)
- More companies in Europe (14%) and Asia (13%) anticipate that their customers will demand greener practices than in the United States (5%)

REASONS FOR GREENER PRACTICES



Question: What will be the primary driver for your company to engage in greener practices over the next 3-5 years.

Total Answering (n=238)