

## **Quintiles Transnational Corporation – Big is Beautiful**

### **Company Overview**

Quintiles Transnational is the market leader in providing a full range of integrated product development and commercial development solutions to the pharmaceutical, biotechnology and medical device industries.<sup>1</sup> The group also provides market research services and strategic analyses to support healthcare decisions and healthcare policy consulting to governments and international organizations. Quintiles is based in Durham, North Carolina, and operates in 50 countries worldwide.<sup>2</sup> The company currently hires about 16,000 employees, generated a turnover of \$2.05 billion and a net income of \$29.7 million. This revenue represents a year sales growth of 2.7% against revenues from previous years of \$1.99 billion.<sup>3</sup>

### **Scope of Business**

Quintiles Transnational operates through three major service groups: product development, commercialization, and PharmaBio development.<sup>4</sup> Product Development Services specializes in the complete drug development process starting from strategic planning and early compound development to regulatory submission and approval. It provides support and preclinical services in toxicology, pharmacology, drug metabolism and pharmacokinetics, as well as analytical chemistry, formulation, manufacturing and stability testing under its pharmaceutical sciences subsection. This group also consists of the full range of clinical development services.

The Commercialization Group helps pharmaceutical companies commercialize their drugs by providing assistance in direct sales, strategic marketing services, late-phase studies and post-marketing research. Innovex, its subsidiary Contract Sales Organization (CSO), provides health management services and physician profiling services to the pharmaceutical industry.

The PharmaBio development group has broadened its scope to include the acquisition of rights to market products and has expanded the sales of a number of these products.

### **Strategies and Organizational/Structural Changes**

Prior to 1996, Quintiles specialized in the product development business unit within contract research. However, consolidation in the pharmaceutical industry focused on making products already on the market more profitable through sales and marketing rather than discovering new products.<sup>5</sup> This trend decreased the amount of products in the development pipeline and decreased the number of projects for contract research organizations. In order to remain competitive, Quintiles started to expand its contract sales organization (CSO) and information services in 1996 by a string of international acquisitions, one of which was Innovex, an Australian CSO. This strategy proved effective in 2000 when Quintiles' revenue from product development had declined by 5 percent from \$849 million in 1999 to \$809 million. However, Commercialization, the

business unit in charge of sales and marketing, was successful, having increased its revenue by 12 percent from \$706 million in 1999 to \$790 million.<sup>6</sup>

Due to these numerous expansions, Quintiles has achieved a large scale and a strong market share, which is currently estimated at just less than 28%.<sup>7</sup> This market share places the company in a much stronger position when negotiating alliances with larger pharmaceuticals. Quintiles' market position also gives it a strong reputation as the preferred service provider. This will become increasingly important as competition for Quintiles increases with the increased consolidation of CROs.<sup>8</sup> For example, Ventiv Health, MDS and Paul Capital Partners started a strategic partnership in 2001 to provide pharmaceutical companies with drug discovery specialization by MDS, Ventiv Health's sales and marketing expertise and Paul Capital Partners' investment expertise.<sup>9</sup> This is a good example of a partnership that makes Quintiles' competitors more formidable and is likely to result in greater competition for customers and investors.

### **Expansion of Offices Worldwide**

In 2000, Quintiles decided to focus on expanding its international network and opened offices in eight countries – Norway, Japan, Greece, Czech Republic, Romania, Thailand, the Philippines and Chile, further enhancing its ability to deliver business pharmaceutical services in those regions.<sup>10</sup> Quintiles is also extremely involved in Japan, the world's second largest pharma market. In June 2000, the company opened the Quintiles Academy in Gotenba City, 50 miles from Tokyo to meet the training needs of the growing pharmaceutical industry in Japan.<sup>11</sup> The next year, Quintiles opened Japan International Desk in Princeton, New Jersey, to further expand Japan's pharmaceutical market abroad, while the Japanese agreed to help Quintiles expand in Japan.<sup>12</sup>

Quintiles' competitors have also been forming alliances with Japanese firms in order to gain access to their pharma market. Paraxel formed a joint venture (2001) with Mitsubishi Chemical Safety Institute Ltd., one of the largest CROs in Japan, so that Paraxel's services could be delivered to Japanese pharmaceutical companies.<sup>13</sup> In the face of intense competition, Quintiles stepped up its expansion efforts by opening the Japan Pharma Center at its Kansas City hub in May 2001.<sup>14</sup> The center is designed to help Japanese pharmaceutical companies enter the U.S. market, providing a full range of services in pharmaceutical product development, spanning preclinical through regulatory approval, as well as services in commercialization and healthcare information.

In June 2004, Quintiles decided to give the Mitsui conglomerate a 20% share in Quintiles Transnational Japan K.K. This transaction was designed to accelerate Quintiles Japan's growth and expand Quintiles and Mitsui's strategic alliance capabilities in pharmaceuticals, biotechnology and healthcare.<sup>15</sup> The company would be able to invest in the Japanese market and have significant competitive advantage in Japan, becoming the market-leader for both product development and commercialization in Asia.

### **Going Electronic: E-Business Helps Profitability**

Quintiles began to invest in more technology-related items and designed a process for starting electronic clinical trials in 1998 when it recognized that the Internet could be means for speedy communication of a great volume of clinical data. Furthermore, clinical trials require a largely paper-based, labor-intensive, error-prone process for recording, cleaning and transmitting clinical data.<sup>16</sup> Quintiles' management demonstrated foresight by anticipating that the clinical development process would be managed entirely on the Internet in future, with data downloaded to Web sites accessible by CROs, their clients and regulatory agencies. It agreed to pay WebMD up to \$100 million for exclusive use of WebMD's services in developing web-based products and services for areas of drug development, physician detailing and direct-to-consumer promotion.<sup>17</sup>

On November 22, 2004, etrials Worldwide, a leading provider for eClinical software, announced that it was in discussions with Quintiles regarding a three-year licensing and technology sharing agreement related to post-approval studies.<sup>18</sup> This plan would give Quintiles' clients "a seamless portal" for the review and reporting of critical data throughout the trial process and reinforce the company's position as a leader in the electronic clinical trial industry.<sup>19</sup>

### **Employment and Growth in North Carolina**

Quintiles cut about 800 jobs in 2000, and an increasing number of jobs in the next three years as part of its restructuring program. Most jobs were in product development because the company needed to reduce costs to finance the transition into its higher-profit, Internet-based businesses.<sup>20</sup> The restructuring program cost about \$55 million and caused the total employment to drop from its peak of 20,500 (1999) to 17,650 (2001) and even lower to 16,000 in (2003).<sup>21</sup> Restructuring was successful in decreasing labor costs, and when coupled with the increase in other revenue sources, revenue for 1999 was \$1.6 billion, a 24% increase from \$112.3 million in 1998. Net income for Quintiles also grew 23% to \$109.3 million from \$88.6 million for 1998.<sup>22</sup>

Quintiles Transnational has 1,200 employees at their headquarters in Durham, North Carolina, which makes it the seventh largest state employer for the Biotechnology/Pharmaceuticals Sector and the largest employer for CROs in the state. The company was founded by Dr. Dennis B. Gillings, who provided statistical consulting and data management services to pharmaceutical customers in 1974 during his tenure as a professor of biostatistics at the University of North Carolina at Chapel Hill. Quintiles was established from these consulting services by Dr. Gillings in 1982, and he is the current Executive Chairman and Chief Executive Officer of the company.<sup>23</sup> Quintiles has two sites in North Carolina. The transnational headquarters are in Durham while Quintiles Inc. is in Morrisville.

## References

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<sup>2</sup> Ibid.

<sup>3</sup> Datamonitor Online Database (2004). *Quintiles Company Profile*. Published Sept 2004. Retrieved on 24<sup>th</sup> Nov, 2004.

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<sup>6</sup> Ibid.

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<sup>8</sup> Martorelli, Michael (2004). *Consolidation in Outsourcing: A look back at 2003 and a look ahead to 2004*. Contract Pharma Online Jan-Feb 2004. Retrieved from [www.contractpharma.com/JanFeb042.htm](http://www.contractpharma.com/JanFeb042.htm) on 2nd Dec, 2004.

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<sup>14</sup> Ibid.

<sup>15</sup> Quintiles Press Release (2004). *Mitsui & Co. Intends to Become 20% Shareholder*. Quintiles Transnational Corporation June 22 2004. Retrieved from [http://www.quintiles.com/Corporate\\_Info/Press\\_Releases/22June2004Mitsui.htm](http://www.quintiles.com/Corporate_Info/Press_Releases/22June2004Mitsui.htm) on 17th Nov, 2004.

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<sup>22</sup> Triangle Business Journal (fn. 20).

<sup>23</sup> Hoovers Online (fn. 21).