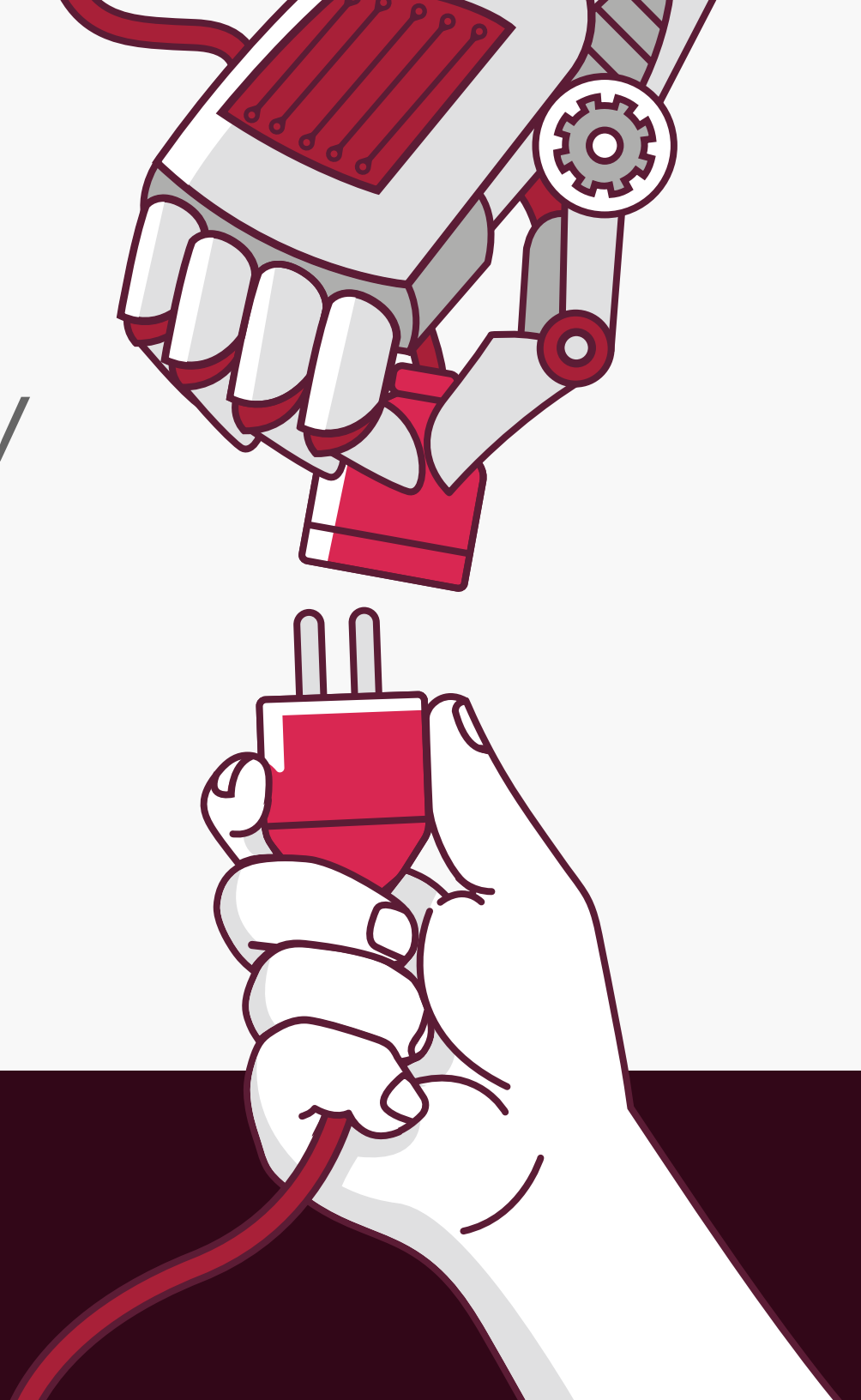



# ePayables for Biotechnology

The spirit of innovation begins  
with the back office





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## State of Biotech

From targeting genes causing degenerative diseases to creating new drugs that combat chronic illnesses, biotech combines the environment of a research lab with the spirit of a startup. Biotech companies often operate in close partnership with higher education institutions to fuel innovation and welcome the most advanced scientists in the field for ground-breaking research.

But unlike technology startups, medical biotechnology is a highly regulated field, requiring expensive scientific equipment and laboratory space.

What's more, new drugs face a rigorous gauntlet of regulatory requirements before they're available commercially (and making profit for investors). Fortunately, lean operational principles help defray the upfront expenses of biotech construction and equipment purchasing.

## Investors are cash-flush

According to Fidelity Investments, "After decades of investment in research, the biotech industry is beginning to produce novel therapeutics for many previously unmet medical needs. More biopharmaceutical drugs were approved during the 2000–2009 period than in the 1980s and 1990s combined, and in 2014 the FDA approved more new "molecular entities" (chemical particles) than in any of the past 15 years."<sup>1</sup>

As biotech grows, so does the popularity of biotech investments; many believe we're only scratching the surface of this industry's potential. While biotech stocks are considered more volatile and higher risk, many investors are still taking the plunge, knowing that the next life-saving drug or treatment could very well pay off.

But there's still more to the biotech accounting formula.

1. "Investing Ideas: Biotech Stocks" Fidelity.com

## R&D spending means a tidal wave of supplier payments...

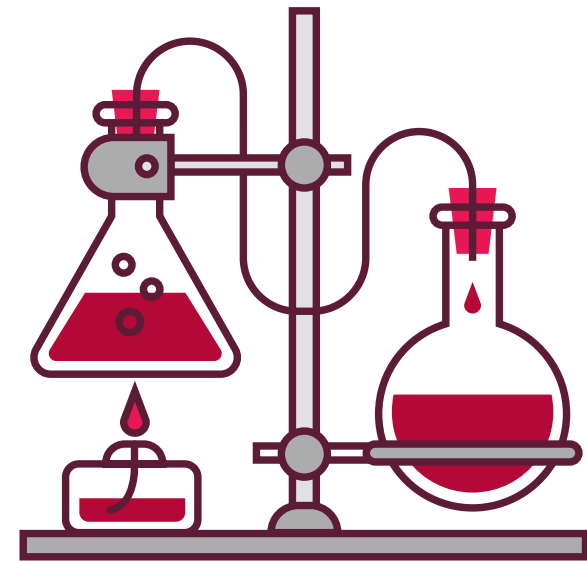
Nearly 18 to 20 percent of revenue:<sup>2</sup> that's the typical amount spent on research and development by most biotech companies. Other industries, like aerospace or defense contracting firms, spend roughly four to five percent of their budgets on R&D.

In a biotech company, research and development is a revolving door of procurement. There are invoices for office supplies, hardware and software purchases, raw materials, chemicals, and scientific equipment and instruments.

### ...without a system suited to managing them

Many biotech companies are a hybrid of technology and medical enterprise, meaning there is not much legacy technology encumbering the business processes.

However, most biotech companies are not prioritizing paying suppliers electronically because AP staff does not have the time to continually enroll new suppliers for ePayments. Not to mention card-based payments, paper checks, and international wires – all of which require separate workflows, creating a massive time debt to manage them separately.



*Securing a scalable and effective electronic payment solution in accounts payable is an important part of keeping biotech labs stocked.*

2. "Drug Company Spend Allocation" Investopedia.com

## Quick fix solutions may not allow for growth

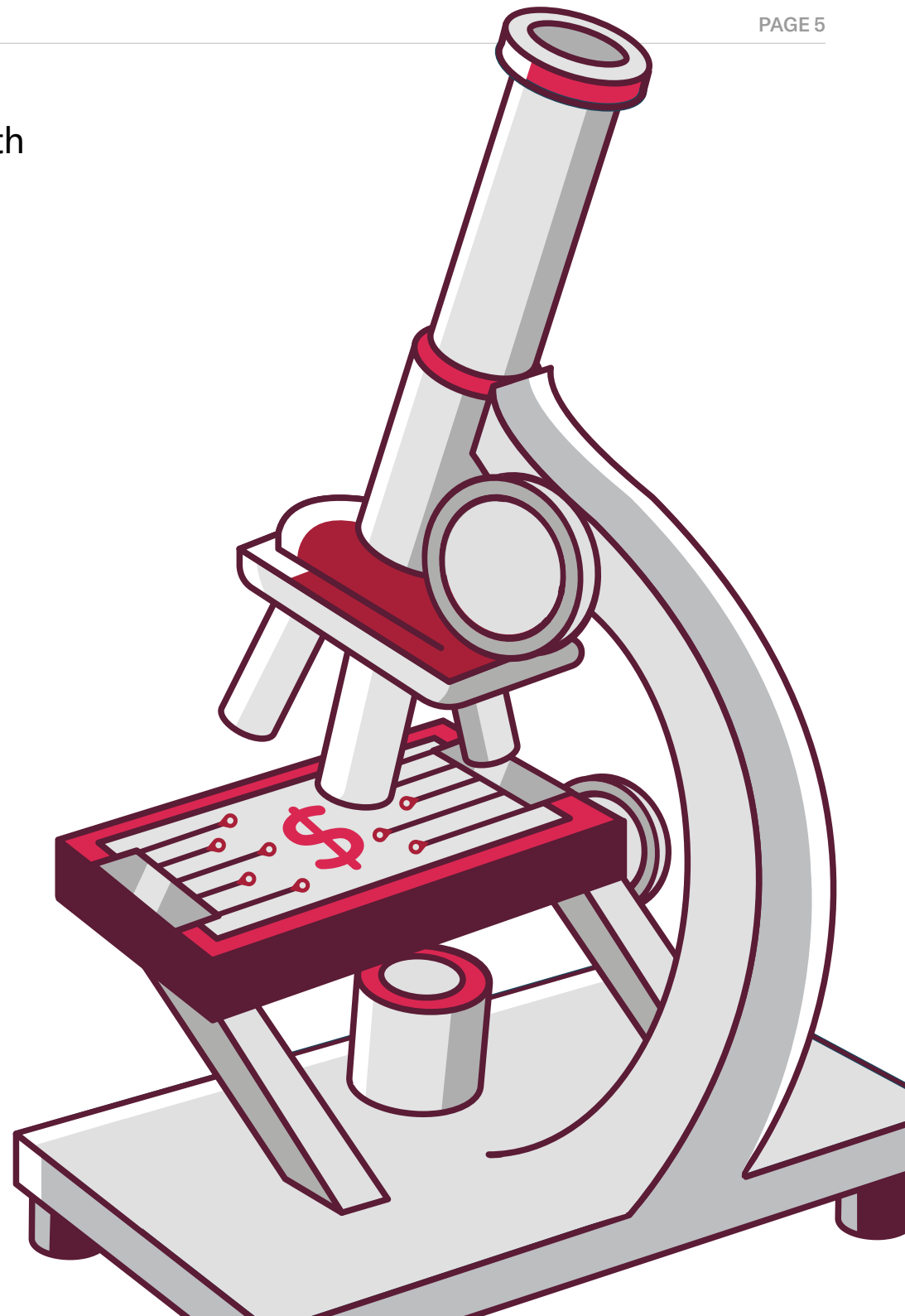
Clearly, biotech is not your typical business, and doesn't fit the typical business AP scenario.

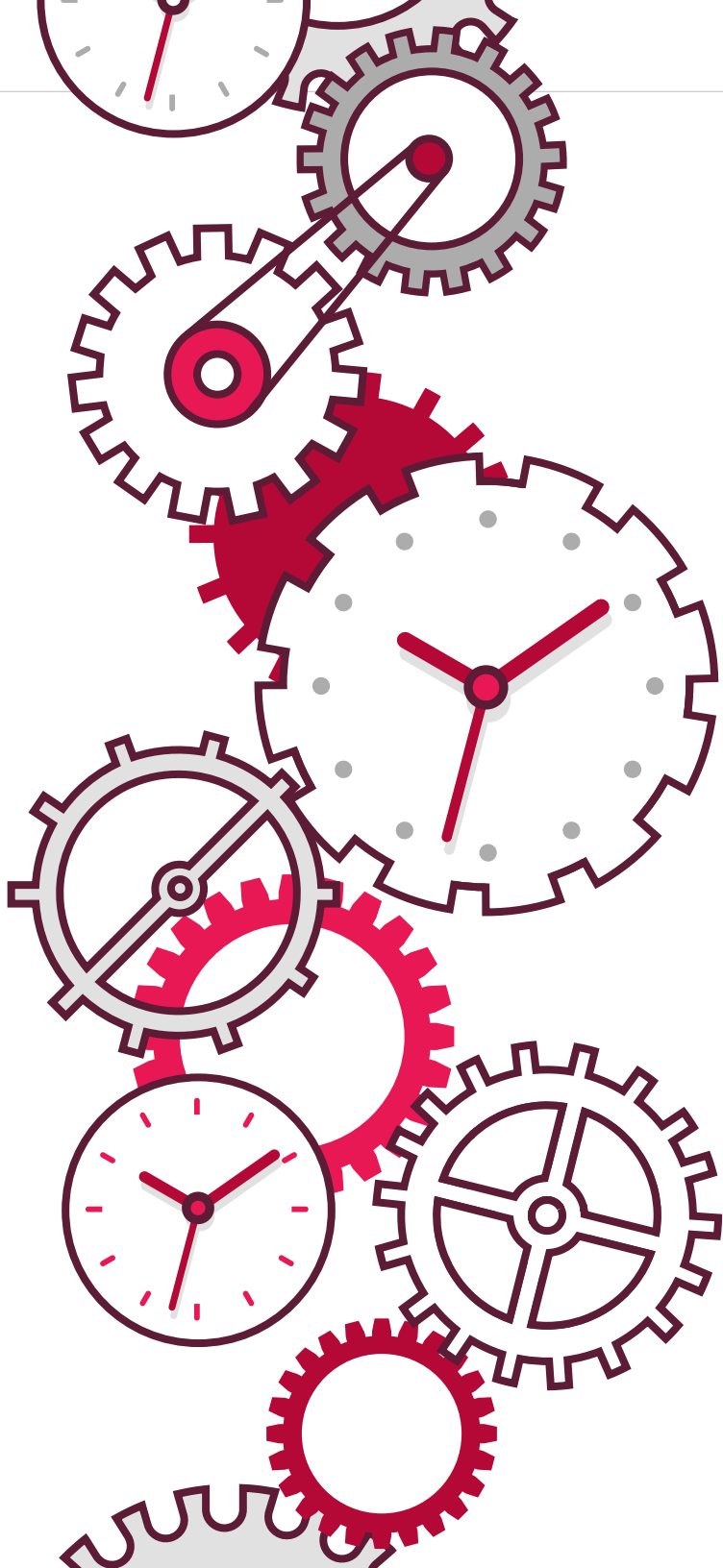
It's also why many typical business AP solutions don't work well for biotech.

One challenge many biotech companies face is the selection of quick fix ePayment solutions that do not accommodate for organizational growth.

Many biotechs begin managing suppliers in their AP department like a small business, and when business processes grow increasingly complex, payments are missed, and suppliers grow restless from not receiving timely or convenient payments.

As biotech's scale, continually evaluating payment solutions for future growth is essential. The initial solution may not be viable over the long term.





## The Challenges

### Slow drug development cycles mean long time-to-market product cycles

Fidelity shares how long it can take to bring a single product to market for a biotech company:

“The possibility of failing clinical trials will always be a serious risk for biotech and pharma firms. It can take up to 15 years to bring a product to market and cost as much as \$1 billion, and according to one estimate, just 8 percent of drugs make it all the way through the process and gain FDA approval.”

Notwithstanding, the amount of money spent on research and development by most biotech companies is nearly 18 to 20 percent of revenue<sup>3</sup>, exceedingly high in comparison to other industries like aerospace or defense contracting firms, who only spend roughly four to five percent of their budgets on R&D.

3. “Drug company spend allocation” Investopedia.com

## Significant R&D spending means one thing: a tidal wave of supplier payments

In a biotech company, research and development is a revolving door of procurement. There are invoices for office supplies, hardware and software purchases, raw materials, chemicals, and scientific equipment and instruments.

Securing a scalable and effective electronic payment solution in accounts payable is an important part of keeping biotech labs stocked.

Many biotech companies are a hybrid of technology and medical enterprise, meaning there is not much legacy technology encumbering the business processes. However, most biotech companies are not prioritizing paying suppliers electronically because AP staff does not have the time to continually enroll new suppliers for ePayments. Not to mention, card-based

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As biotechs scale, continually evaluating payment solutions for future growth is essential. The same solution may not be viable over the long term.

## The Opportunity

### AP automation helps biotech focus on innovation

Back in the day, staff did all the paper shuffling in accounting, payroll, and expense processing. Now automation software and business process automation is changing the landscape of business management entirely. A report from KPMG accounting firm states:<sup>4</sup>

“As the convergence of computer intelligence and business process applications accelerates, the market is creating a new class of intelligent automation that is capable of performing activities that currently require knowledge and skills by highly trained personnel.”

*Accounts payable automation allows staff to focus on high-value business priorities over manual tasks like paper shuffling, and it's changing the world.*



4. “Employees: An Endangered Species?” kpmg-institutes.com

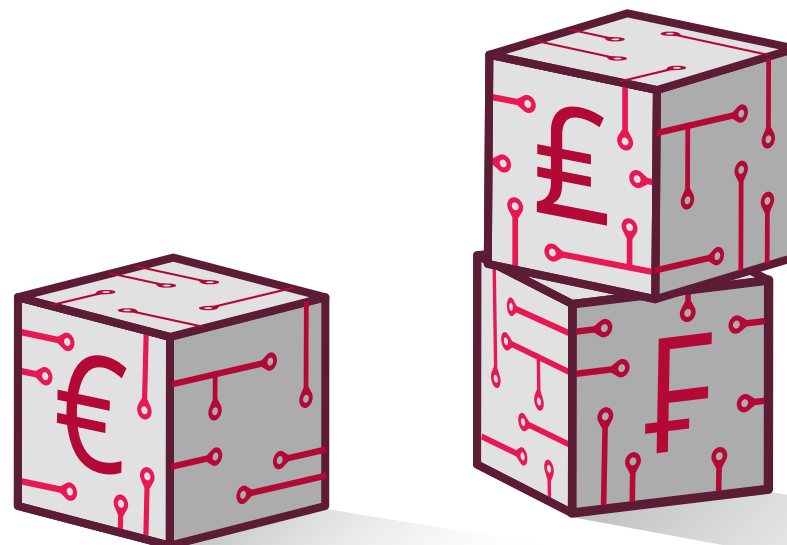
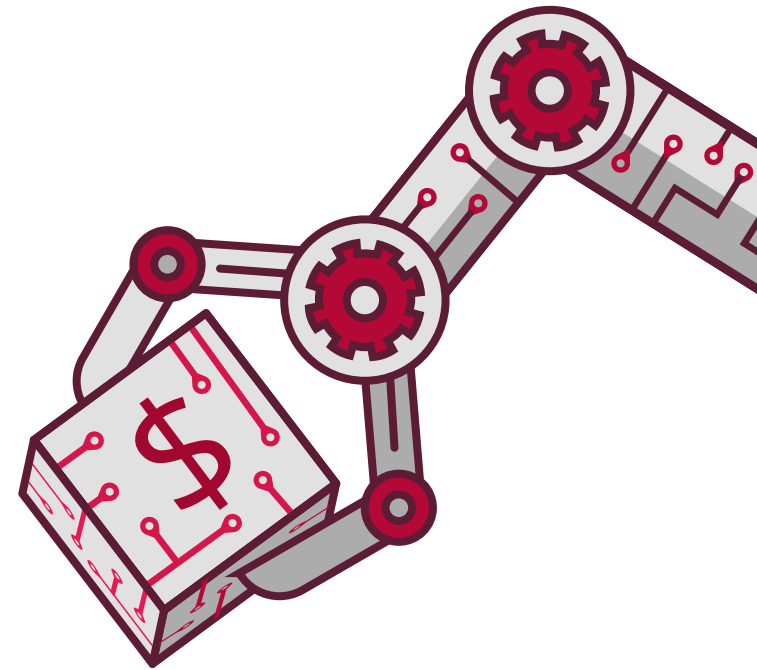


## Electronic payments enables biotech to scale

Along the same lines of automation, paying suppliers electronically gives biotech companies greater economies of scale. Enabling these growth stages without hiring additional heads gives biotech the speed it needs to move from the research phase to clinical trials with as little operational drag as possible.

Check payments cost businesses between five and 12 dollars per payment<sup>5</sup> and not to mention the expense of hiring additional headcount in AP to handle supplier payments. For a biotech spending so much on research and development, supplier payments stack up in a hurry.

Electronic supplier payments are part of automating business operations saving companies thousands of dollars so they can build their future, instead of their back office.



5. "Benchmarks: Disbursements" APP2P

## Conclusion

### Build your future, not your back office

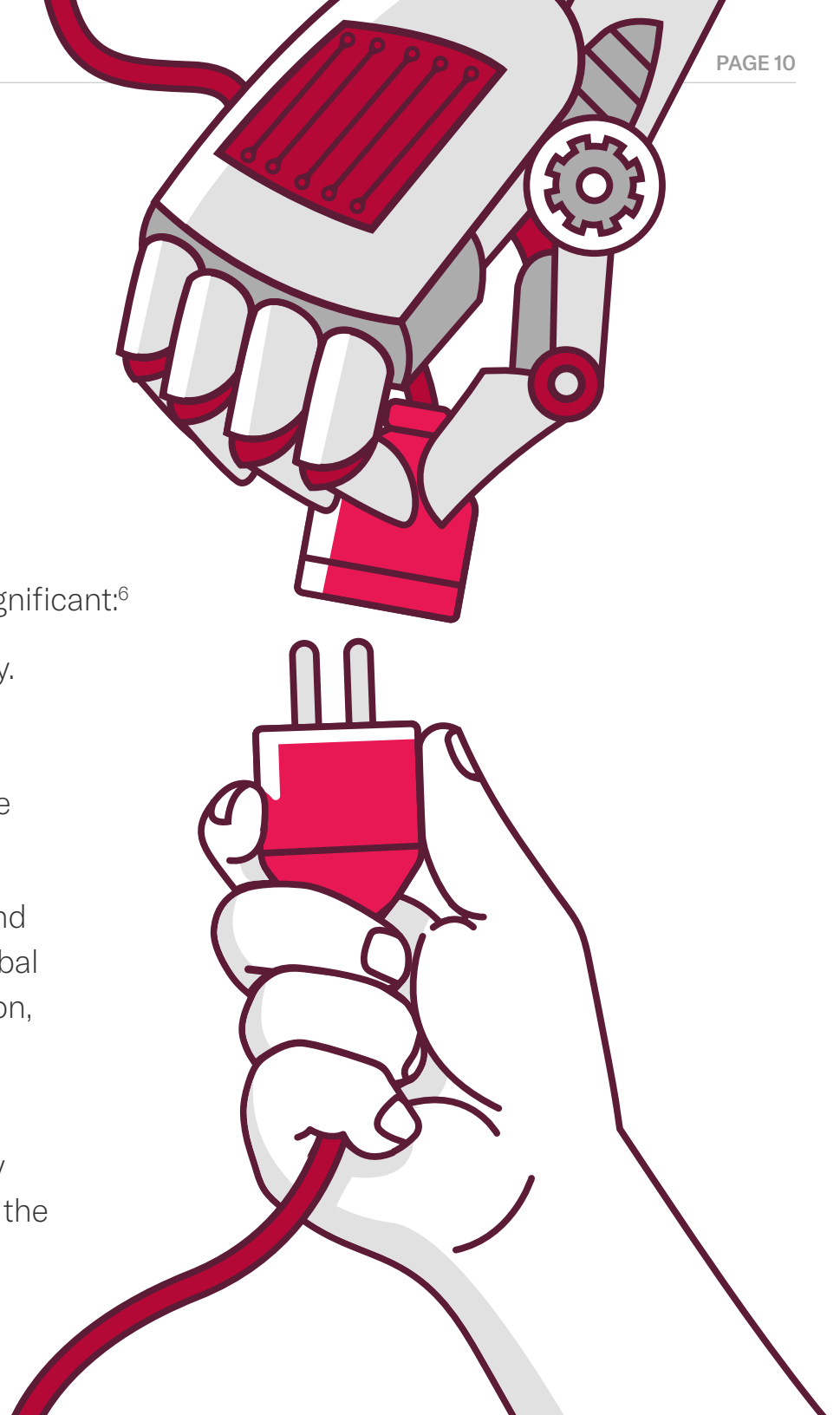
Powerful cloud solutions for payments, inventory management, and CRM ensure biotech stays at the peak of innovation. Creating more visibility, specifically around the supplier payment pipeline enables the technology to serve the right business needs at the right time.

Fidelity shares why the achievements of biotech are so significant:<sup>6</sup>

“This is a particularly fertile time for biotech drug discovery. After decades of investment in research, the biotech industry is beginning to produce novel therapeutics for many previously unmet medical needs. Today seven of the 10 leading drugs in the world are biotechnology drugs.”

As American biotech innovators compete with Chinese and Indian companies, this creates a whole new market of global possibilities for biotech. Scientific discovery and innovation, marked by an aging, increasingly affluent population, will drive demand for more personalized treatments and drugs. And networked supply chains, enhanced in part by automated processes like electronic payments, will make the successful trialing of these drugs easier than ever before.

6. “Investing Ideas: Biotech Stocks” Fidelity.com



## About the Author

### Lauren Ruef

Lauren is a Research Analyst at Corpay (formerly Nvoicepay). She has over six years of experience researching and writing about executive leadership, technology, B2B payments.

### Additional Resource

- State of ePayables for Healthcare eBook

### About Corpay

Corpay is a global leader in business payments, helping companies of all sizes better track, manage and pay their expenses. Corpay provides customers with a comprehensive suite of online payment solutions including Bill Payment, AP Automation, Cross-Border Payments, Currency Risk Management, and Commercial Card Programs. As the largest commercial issuer of Mastercard® in North America, Corpay handles over a billion transactions each year. Corpay is part of the FLEETCOR (NYSE: FLT) portfolio of brands. To learn more visit [www.corpay.com](http://www.corpay.com).

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