

## Ask RxSource

# Transactional or strategic sourcing – what is the best option?



There are two types of sourcing: transactional and strategic. Which one you use will depend on how long you have to source the comparator drug for your clinical trial. Often, we find that procurement teams are given very little time to find a product; even though this is chosen early in a trial, comparators seem to be left on the back burner until someone remembers they need them. This leaves very little lead time to source as, to put it simply, the comparator is needed “yesterday”. Leaving lead times so short causes many issues and risks, so let’s take a look at some of them.

Firstly, to have a good quality network of wholesaler vendors, you must assess them. This should be an ongoing, as opposed to a one-off, process. Vendor assessment allows you to experience each wholesaler’s true performance (as opposed to what their website says).



- Response time – how quickly do they respond to your inquiries?
- Response quality – do they provide all of the information you need, or just vague information without critical information such as lead times, batch sizes and ability to provide supporting documentation such as CofAs.
- Able to provide recommendations/ solutions – do they provide alternative sourcing models that can improve reliability of supply, reduce risks (financial or supply chain), and overcome obstacles such as drug shortages in specific markets.
- Areas of expertise – for example, do they have good access to specific products or markets that other wholesalers may lack?
- Once a supplier has proven themselves commercially, performing QA audits and setting up quality and commercial agreements (confidentiality, payment terms, risk sharing, service levels) is the final step – and can add to timelines to set up a new vendor.

Setting up a strategic supplier network like this can take months if not years, so in our experience many Sponsors revert to tactical/transactional sourcing among known vendors – Can you get it? At what price? – quite often leading to disappointing outcomes (multiple batches, multiple expiries, risks of stock outs, increased downstream costs). Companies like RxSource has already done a lot of this qualification work, so even if clients approach us at short notice, they will benefit from our market knowledge and proven network of global wholesalers.

Rather than sourcing from a wholesaler, a Sponsor may decide to source directly from the manufacturer. This may make sense – it will give them access to large batches of product with the maximum possible shelf life, and all supporting documentation. There may also be a perception that, by cutting out the middleman and their mark up, this will be a more cost-effective approach. However, if working directly with a manufacturer, lead times can be much longer than sourcing from the open market. Most manufacturers produce products in volumes dictated by their sales forecasts...which do not include clinical trials. As a result, your clinical trial could need a dedicated manufacturing operation...and the next available slot in the manufacturer's schedule could be months away. In our experience pricing is rarely as competitive as Sponsors expect. However, sourcing directly from manufacturers is a good option for guaranteeing supply throughout a trial – provided manufacturers are approach well in advance of the trial start date.

Strategic sourcing requires forward planning, and involving proven sourcing partners as early as possible in the process. This gives service providers sufficient time to create a robust sourcing strategy for the comparator, covering the entire duration of the trial. In successful projects we have supported, Sponsors approached us to develop their sourcing strategy at least six months before the trial start date. This work can begin even before the final choice of comparator has been made – we often support evaluations of the availability of different potential comparators, and identifying potential risks, so that Sponsor can build this into their decision-making process.

Engaging partners earlier provides the Procurement team with intelligence on risks of interruptions to supply, allowing for back-up plans to be developed. It also gives the Procurement team time to negotiate and secure favourable terms of business. A last minute, transactional approach often results in being forced to accept higher prices, less favourable terms, and a risky strategy because in the time remaining there are no options to find a better solution.

In conclusion, while we still see our fair share of short notice transactional requests, we are seeing an increasing use of strategic approaches from some clients. Of course, we will continue to support all requests, but clients adopting a strategic approach give us the opportunity to do our best work.



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