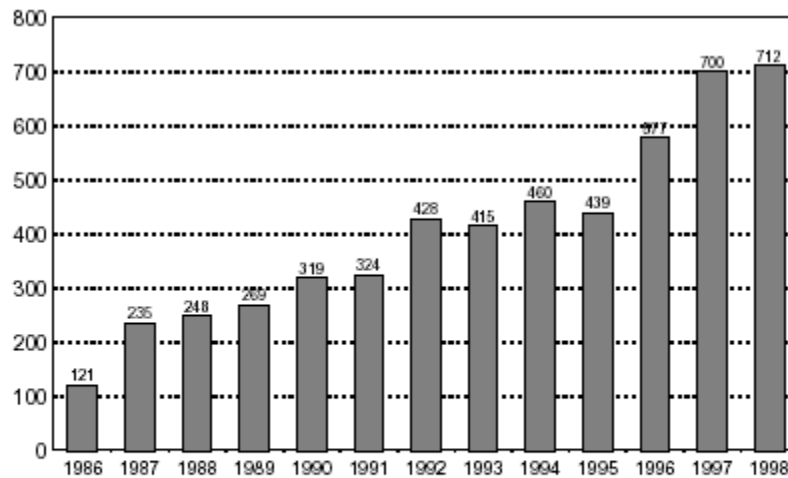


INCREASING FREQUENCY OF STRATEGIC ALLIANCES

Figure 1: Strategic alliances have been steadily increasing from 1986-98



Note.--Strategic alliances range from marketing agreements to agreements to share the products of research in specified areas; individual companies may enter into multiple strategic alliances. PhRMA has stated that "these alliances are diverse in nature and may involve domestic and foreign pharmaceutical companies, biotech firms, university research centers, contract research organizations, or other parties."

Source: Graphic from PhRMA. The original source for data Windhover's Pharmaceutical Strategic Alliances, 2000.

Strategic alliances offer:

- increased access to global markets
- increased speed of drug development
- increased funding for development efforts

COLLABORATIVE AGREEMENTS & STRATEGIC ALLIANCES

Collaborative agreements allow biotech companies to gain access to valuable expertise in order to bring products to market more rapidly and gaining FDA approval. Several levels of expertise are brought to market such as venture capital, regulatory, sales & marketing and product pricing. Biotech-big pharma deals are struck at every stage, from the earliest drug discovery stage to the marketing stage. Many alliances are formed at the early development stage in order to fund development costs.

Companies often identify areas that they wish to acquire capabilities or a competitive advantage, rather than internally developing functions. These relationships can enable a small company to gain significant capabilities in a short time frame. Many obstacles must be overcome even after FDA approval and collaborative relationships are typically part of the solution. Collaborations typically provide funding in the form of licensing rights, milestone payments, and equity investments to the biotechnology holder.