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Large pharma organizations to invest nearly 7% of revenue on building connected, cutting-edge lab environments by 2025

Next-gen lab environments are now critical for innovative therapies, reduced time to market, and improved approval rates, but most are still at pilot phase

Paris, February 7, 2024 - Pharmaceutical organizations are rethinking their approach to the setup and operations of their labs, with a focus on accelerating digitalization, leveraging AI, improving processes, and building the right skills and culture for a lab transformation. The need to accelerate cycle times is driving change, with the majority (92%) of pharma organizations listing this among the top drivers for future-ready 'next-gen' labs¹. This is according to the Capgemini Research Institute's latest report, titled '[Building the next-gen pharma lab: Digitally connected, environmentally sustainable](#)', which explores the current state of pharma lab transformation, the challenges that must be overcome, and the expected benefits of building a lab of the future.

Lab transformation initiatives are on the rise

According to the research, the top drivers for lab transformation are the need for faster development of innovative drugs, pressure to optimize costs, and the requirement to improve drug approval rates. As a result, pharma organizations are looking to create more agile, efficient, collaborative, and sustainable labs to help them better address these challenges and drive scientific breakthroughs.

Large² pharma organizations are planning to almost double their investment in lab transformation by 2025, to up to 7% of their revenue, up from 4% today. Nearly 75% of pharma organizations have already begun their lab modernization journey while the rest are planning their approach.

"Pharma companies today face wide-ranging, global health challenges and a cutting-edge lab environment can help them meet industry demands, making vital medicines and drugs accessible at speed. Backed by technology and continuously evolving in terms of skills, processes and infrastructure, next-gen labs are crucial to accelerate the pace of breakthrough discoveries," said Thorsten Rall, Global Life Sciences Industry Lead at Capgemini. *"The opportunity for organizations lies in successfully adopting the latest technologies and developing a robust strategy, with data and AI at its core, to unlock the full potential of their lab transformation. For those looking to create and scale next-gen labs, the key remains in human-centric design, with scientists positioned at the center of this process."*

¹ Next-gen labs are labs which continuously evolve their technology, infrastructure, ways of working, skills, and culture.

² Large pharma organizations are defined as those with \$10 billion or more in annual revenue.



Most organizations are yet to advance beyond the pilot phase of lab transformation

However, while the value of a connected, cutting-edge lab environment is clear, most organizations are yet to advance beyond the pilot and proof-of-concept (PoC) phase. Only one in 10 organizations surveyed have partially or fully scaled their lab transformation initiatives.

As pharma organizations strive towards more digitized and modernized labs, they face key challenges related to data and technology, processes, as well as talent. In addition, diversifying into developing new advanced and innovative therapies poses problems as processes become even more complex. According to the report, most organizations rank data-related issues (90%) and process complexity (92%) as the main challenges faced by labs.

Crucially, next-gen labs require professionals with the right analytical skills to be able to derive insights from available data. But the vast majority (97%) of organizations face the challenge of hiring scientists with a mix of domain as well as digital and data expertise.

Leader organizations are already reaping the benefits

While many organizations are in the early stages of lab transformation, 'leaders'³ that are spearheading these efforts are already reaping benefits at considerable scale, reporting reduced errors, higher approval rates, and optimized costs as compared to beginners⁴. Additionally, half of leaders have achieved accelerated time to market through lab transformation measures compared to 23% of beginners.

Leaders are also realizing sustainability-related benefits, with nearly 36% of these organizations witnessing a reduction in carbon footprint due to lab modernization initiatives, as compared to only 18% of beginners.

Methodology

For this report, the Capgemini Research Institute surveyed 700+ respondents within R&D, quality, and process development labs from 235 pharmaceuticals and biotechnology organizations, across the US, the UK, Switzerland, France, Germany, Japan, and India in October 2023. 85% of surveyed organizations have an annual revenue of more than \$1 billion and 15% of organizations fall in the range \$500 million to \$1 billion. The respondents were at director level or above, spanning various functional areas, including research and re-clinical trials, clinical trials, analytical method development, manufacturing process development, regulatory affairs, pharmacology and product safety, information/digital technology, data and analytics, as well as innovation.

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³ Leaders are those organizations that are strong on both "foundations" (such as tools, technologies, data, architecture, and connectivity) and "enablers" (such as vision, strategy, people, processes, culture, and skills) of lab transformation.

⁴ Beginners are those organizations that fall behind on both "foundations" and "enablers" of lab transformation



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