

F R O S T & S U L L I V A N

BEST PRACTICES

AWARDS

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2020 BEST
PRACTICES
AWARD

ZAGENO

2020 GLOBAL
LIFE SCIENCES ECOMMERCE
CUSTOMER VALUE LEADERSHIP AWARD

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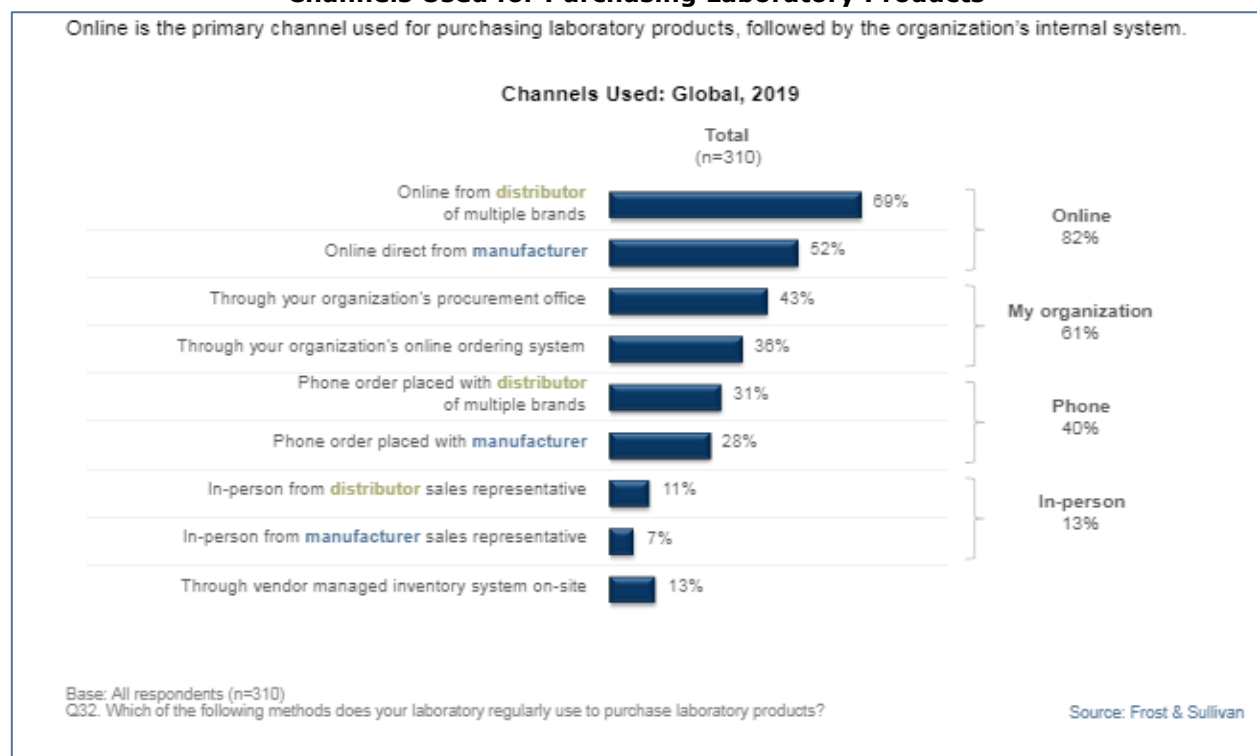
Background and Company Performance

Industry Challenges

Life science industry consolidation and the need for customer value enhancement are driving the increasing prevalence of digital technology and connected platforms to manage the customer life cycle. Consolidating markets, sales personnel costs, and global business models make it difficult for life science companies such as Qiagen and Thermo Fisher to inexpensively and seamlessly manage the offline purchase process.

For researchers, purchasing from an online marketplace provides the flexibility to buy from several distributors offering multiple brands. Online marketplaces are emerging as the preferred way to procure laboratory products. It gives the researchers the flexibility to compare offerings (price and specifications) at a single place (saving time and effort), without delving into numerous vendor websites, which otherwise is cumbersome, as typically customers spend hours researching a single product and pricing. Similarly, suppliers get a targeted audience to position their product through a well-designed catalog.¹

Channels Used for Purchasing Laboratory Products



Therefore, a sound eCommerce platform serves to increase vendors' online footprint as digital evolution, and the current coronavirus (COVID-19) pandemic, will increasingly drive researchers to opt for eCommerce and online sales platforms for their experimental materials needs.

¹ <https://www.forbes.com/sites/amyguttman/2019/07/17/meet-a-doctor-turned-entrepreneur-building-the-amazon-of-life-science-products/#4c4379b43011>

General laboratory supplies and chemicals constitute the most frequently purchased product types, including plasticware, glassware, reagents, and kits, accounting for 61% of the average laboratory product budget in 2019. The share of eCommerce channels of the total sales expects to reach more than 80% of lab supply sales by 2022.² However, a recent survey by Frost & Sullivan, which included qualified respondents participating in their laboratories' purchasing process and familiar with product budgets, showed that one-third of laboratory specialists prefer an improved laboratory products' purchasing experience. The improvement pertains to requiring the suppliers to build more user-friendly websites and adding the ability to compare products online more seamlessly. On average, budgets grew the most in biopharmaceutical and industrial labs from 2018 to 2019, 6% and 2%, respectively.

Frost & Sullivan's research projects modest budgets, with the biopharmaceutical sector reporting the most considerable expected change (4.6%) and academic/government nearly flat in 2020. Consumables constitute the most significant part of overall budget spending at over 60%, growing by almost 2%. Due to the increasing share of reagent and consumables sales, customer engagement and relationship development are critical; hence, there is an emerging need for digital customer engagement in the online platform.³

Secondly, for consumables, delivery and order processing speeds are critical. Buyers also scrutinize the shipping costs of consumables. Hence, vendors and suppliers consider these purchasing factors as target improvement points. Buyers' growing preference for a personalized experience (search capabilities) demands decentralized buying patterns, digital inventory management, secure and easy payment, and invoicing methods. Therefore, flexible consulting, basic customer support, and shipment tracking options gain priority and promote the eCommerce model.⁴

Finally, personal relations and salespersons are essential influencing factors in the decision-making process. Often, due to poor communication skills and less knowledge, a salesperson cannot answer a specific scientific query, which results in inadequate purchase experience and frustration on the part of scientists.

eCommerce platforms focusing on boosting overall customer lifecycle value rather than just product sales will emerge as a critical shift in the commercial model in the coming years. Also, digital advertising channels are yet to gain dominance in this segment. eCommerce platform providers should look at creating an end-to-end digital ecosystem for buyers, which involves connected lab solutions, eProcurement functionality, and digital content, to enable higher customer retention and extract maximum value from the customer lifecycle. e-Commerce companies offering capabilities such as online reviews, marketing analytics, objective product consulting, and blockchain-enabled supply chains for efficient and transparent payment and product delivery mechanisms will provide enhanced end-user experience, boost supplier sales, and capture market share.

² *Global Life Sciences Instrumentation and Research Tools Market, Forecast to 2023*, (Frost & Sullivan, October 2018)

³ *ibid*

⁴ *Global Laboratory Products Purchasing Trends, 2019–2020*, (Frost & Sullivan, November 2019)

Customer Impact and Business Impact of ZAGENO

Founded in 2015 and headquartered in Cambridge, Massachusetts, ZAGENO effectively addresses the biotech purchasing process's bottlenecks and seamlessly caters to the researchers' personalized experimental needs. ZAGENO's first-of-its-kind e-commerce platform, available on desktop, tablet, and mobile devices, offers a simple, flexible, and reliable mechanism for suppliers and buyers to handle purchasing transactions. With customers including world-renowned academic and government research facilities, global pharmaceutical and biotech companies, customer-centric ZAGENO assists in making the best purchasing decisions and expedites the procurement processes.

Amazon-like Seamless Search and AI-enabled Objective Product Comparison

ZAGENO's enterprise software-enabled marketplace allows researchers to identify the right product for their unique experiment. With more than 19 million stock-keeping units (SKUs), the company offers the most comprehensive catalog in the industry, from more than 3,500 suppliers and growing. The highly intuitive platform allows researchers to search, compare, choose, seamlessly check out, track, and manage delivery and easily reorder, like any other online eCommerce platform. The platform's simple user interface provides user-friendly product search options through distinct categories or platform-enabled elastic search that helps find the right product, comparable to an Amazon-like experience. ZAGENO displays all product-related information such as pictures, descriptions, manual and safety information (all on one page), driving convenience, and easy understandability for end-users.

Product comparison across multiple suppliers and a market-differentiating scoring system are unique platform features that render enhanced product and supplier reliability. The company's Scientific Score system evaluates products between a score of one and 10, with a high score denoting the product's suitability for the experimental needs. Several factors impact the scientific score that includes product specifications from manufacturer and supplier, scientists' validation results, utilization in published papers, product popularity amongst scientists, and product brand performance, and the product's commercial success on ZAGENO.

On the back-end, the company's machine learning (ML)-driven engine analyzes peer-to-peer reviewed papers and counts within the method how often the study cites the particular SKU. Hence the more referred a product is in the publications, the higher its scientific score due to improved appearance. For example, one of the leaders in DNA cleanup when preparing for Next-Generation Sequencing is a PCR purification kit from Beckman Coulter. It is one of the bestsellers on the ZAGENO web shop, with a very high Scientific Score thanks to thousands of citations worldwide.

Alternatively, specific platform parameters also consider novel products to provide a high rating for enhanced visibility. The ML-algorithms match, group, and categorize millions of products reliably. The scientifically developed scoring system, thus, enables an unbiased product rating to support accurate purchasing decisions.

Flexible Ordering and Consolidated Invoicing Simplifies Purchase Experience

ZAGENO differentiates from different online vendors and offers unique approval processes, invoicing, and aggregated payment services. With customers as their focus, the company customizes and standardizes its offering to satisfy 90% to 95% of all laboratory product needs of a single customer segment. Therefore, when working with a supplier account that signs up with ZAGENO, it pays the company a specific fee for using the software platform and continues to handle the shipping process.

On the end-user side, every researcher has access to the platform's user interface while the laboratory's purchasing and finance team works with ZAGENO to grant specific purchase approval. To simplify the ordering and purchase process for customers, the company offers a consolidated invoicing service. Hence, while the laboratories can flexibly purchase from hundreds of suppliers listed on the marketplace, they receive a single invoice from ZAGENO for payment, which in-turn pays to the different suppliers on behalf of the laboratories.

The company effectively addresses the multi-channel conflict, where the same product is available at multiple buying platforms at variable and high prices. Though the supplier continues to handle the inventories and shipping procedures for customers, the platform offers streamlined buying with the best product pricing, which the original manufacturer or global distributor often fail to provide the best-buy through their online sales channel.

Spend Analytics Dashboard Enabling Customers to Compare Prices, Identify Cost Drivers and Savings

The second market-differentiating platform capability includes the analytics dashboard tailored for the purchasing department. The dashboard allows visibility of product purchase data points in real-time. ZAGENO initially intended to build industry taxonomy to enable the researcher to locate the right product. The dashboard evolved to include features that provide a highly detailed level of information on topics such as what product category the researcher spent, which supplier was the preferred choice, and the total cost accrued. Particularly useful for SAP and Oracle users, the dashboard's analytics identify not only the cost center but also the individuals that order to pinpoint cost drivers within the organization and even lead to negotiating discounts with the supplier.

Lastly, an additional feature innovation in the dashboard allows the purchasing department to compare what they earlier paid with present spend to evaluate payments against the allocated budget. Thus, by leveraging the SKU-level data within the ZAGENO database, pharma companies can assess the amount of savings they are driving as the dashboard enables them to compare savings in real-time across time intervals. Such features allow customers to meet organization-level cost-saving targets on product costs.

Enabling to Provide Supply Chain Continuity in COVID-19 Era

Particularly relevant in the COVID-19 context, where every company aims to secure its supply chain capabilities, ZAGENO ensures that all products from main suppliers are available to researchers seamlessly. In case a small supplier is unable to provide an ordered product, the company places the order with another supplier within minutes, thus,

catering to the researchers' time-sensitive needs. ZAGENO even gets an extra level of approval from the customer's purchasing department to ensure that the product comes directly to the researcher. Lastly, the company enables appropriate product tracking and sends a timely confirmation to inform upon product's shipping and arrival to the researcher.

ZAGENO points that due to COVID-19 impact, the quarter one (Q1), year-over-year (2019-2020) volumes by laboratories to its marketplace soared by 80% in February and 160% in March. An increase in lab's demand triggered backorders from global distributors, which doubled in February-March.

*"ZAGENO's customer-centric business is driven by data relating directly to their needs. Data from February to March demonstrates order activity, from our scientist customers, which portends the severity of the disruption that COVID-19 would have on the industry. To support our customers' productivity, ZAGENO can recommend alternative products vetted by our Scientific Content team to help avoid disruption. Further, to onboard new scientist teams, we are delivering remote training with an expanded schedule."*⁵

Florian Wegener, co-founder and CEO of ZAGENO

Riding on an Aggressive Growth Trajectory with Global Reach

To maintain the platform's neutrality, ZAGENO does not follow a push-based product marketing strategy. Alternatively, the company's focus remains on servicing the researcher's demand based on its unique experimental need. ZAGENO's suppliers span across the United States, the United Kingdom, and Germany, which adds up to 60% of its global markets, and opening up Belgium with pharmaceutical customers such as UCB ordering through it. The company's aggressive growth plan targets Asia-Pacific and Scandinavian countries, Nordics, and Switzerland in Europe and acquires a market-leading pharma and biopharma customer to begin.

On an upward growth trajectory, ZAGENO grew by 64% in 2020 Q1 versus 2019 Q1 and by 118% in 2020 quarter two (Q2) versus 2019 Q2. Furthermore, the company observes increased buying patterns and heightened website traffic through mobile devices in the COVID-19 era, experiencing double growth as it continues to meet the research community's demand seamlessly through its digital solution.

⁵ ZAGENO Releases COVID-19 Data Addressing the Laboratory
<http://markets.financialcontent.com/stocks/news/read?GUID=39709593>

Conclusion

Challenges on offline sales processes such as high resource cost, global supply chain management, and catering to the unique needs of the research community flexibly and seamlessly are propelling eCommerce models to become the most popular channel for life science product sales.

ZAGENO streamlines a lab's purchasing through its groundbreaking intuitive eCommerce platform. It offers the industry's broadest product portfolio of more than 19 million SKUs from over 3,500 suppliers. ZAGENO provides all relevant product information to make the online purchase of research material convenient, efficient, and reliable. It saves customer's time and effort, enabling decision-makers to improve lab efficiency with transparent pricing and single consolidated invoicing.

The platforms' machine learning-driven Scientific Score product rating system evaluates products objectively through an unbiased peer-reviewed rating to support accurate purchasing decisions. Similarly, the Spend Analytics dashboard records researchers' purchase history, enabling buyers to identify preferred suppliers, total cost accrued, and compare savings across a time interval and allowing the organization to determine the cost drivers. With dramatic increases in volumes and ordering, primarily driven by the coronavirus pandemic, customer-centric ZAGENO is effectively maintaining the supply chain continuity to meet the flexible and personalized needs of the research community effectively while serving as an ideal sales channel for suppliers and partners.

With its strong overall performance, ZAGENO earns Frost & Sullivan's Global 2020 Customer Value Leadership Award in the life science eCommerce market.

Significance of Customer Value Leadership

Ultimately, growth in any organization depends on customers purchasing from a company and then making the decision to return time and again. Satisfying customers is the cornerstone of any successful growth strategy. To achieve this, an organization must be best in class in 3 key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Customer Value Leadership

Customer Value Leadership is defined and measured by 2 macro-level categories: Customer Impact and Business Impact. These two sides work together to make customers feel valued and confident in their products' quality and performance. This dual satisfaction translates into repeat purchases and a lifetime of customer value.

Key Benchmarking Criteria

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated Customer Impact and Business Impact according to the criteria identified below.

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

Criterion 2: Customer Purchase Experience

Requirement: Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints.

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company's product or service and have a positive experience throughout the life of the product or service.

Criterion 4: Customer Service Experience

Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

Business Impact

Criterion 1: Financial Performance

Requirement: Overall financial performance is strong in terms of revenues, revenue growth, operating margin, and other key financial metrics.

Criterion 2: Customer Acquisition

Requirement: Customer-facing processes support the efficient and consistent acquisition of new customers, even as it enhances retention of current customers.

Criterion 3: Operational Efficiency

Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard.

Criterion 4: Growth Potential

Requirements: Customer focus strengthens brand, reinforces customer loyalty, and enhances growth potential.

Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to quality and customers, which in turn enhances employee morale and retention.

Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify Award recipient candidates from around the globe	<ul style="list-style-type: none"> Conduct in-depth industry research Identify emerging sectors Scan multiple geographies 	Pipeline of candidates who potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> Interview thought leaders and industry practitioners Assess candidates' fit with best-practice criteria Rank all candidates 	Matrix positioning of all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> Confirm best-practice criteria Examine eligibility of all candidates Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> Brainstorm ranking options Invite multiple perspectives on candidates' performance Update candidate profiles 	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> Share findings Strengthen cases for candidate eligibility Prioritize candidates 	Refined list of prioritized Award candidates
6 Conduct global industry review	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> Hold global team meeting to review all candidates Pressure-test fit with criteria Confirm inclusion of all eligible candidates 	Final list of eligible Award candidates, representing success stories worldwide
7 Perform quality check	Develop official Award consideration materials	<ul style="list-style-type: none"> Perform final performance benchmarking activities Write nominations Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best-practice Award recipient	<ul style="list-style-type: none"> Review analysis with panel Build consensus Select recipient 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform Award recipient of Award recognition	<ul style="list-style-type: none"> Announce Award to the CEO Inspire the organization for continued success Celebrate the recipient's performance 	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10 Take strategic action	Upon licensing, company is able to share Award news with stakeholders and customers	<ul style="list-style-type: none"> Coordinate media outreach Design a marketing plan Assess Award's role in future strategic planning 	Widespread awareness of recipient's Award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.