

Biotech Startup Successfully Uses IT Outsource Model

VC-Funded Pharma Speeds Implementation of Stable, Secure, Full-Service IT Operations

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IT Business Challenge for VC Pharma

Pharmaceutical companies are fundamentally information and knowledge-based enterprises that regularly employ highly complex IT capabilities to meet the needs of their multi-discipline staff of executives, researchers, and product specialists. Typically, pharmaceutical companies require the highest level of data integrity and security, due to the multiple millions of dollars that are spent annually to develop proprietary intellectual property and to protect highly confidential clinical data, as well as the complex regulatory environment in which they operate. At the same time, pharmaceutical companies demand highly reliable core business systems, as they regularly operate on aggressive clinical and regulatory timelines, leveraging highly compensated professionals, with potentially serious negative consequences to lost productivity.

Within the pharmaceutical sector, venture capital (“VC”)-financed pharmaceutical companies present an additional layer of specific issues relative to their IT needs. While all the requirements of a pharmaceutical company remain, cash preservation is of paramount importance to VC-financed companies, particularly during the early period where they are operating on seed or personal funding (e.g., typically less than \$1 million) in advance of raising more significant capital.

Early in the life of the company, Roger Hawley, CEO of Zogenix, determined that the company would focus on building its core pharmaceutical development and commercialization capabilities, and seek when possible to outsource capabilities like IT to experienced service providers. Zogenix’ had a clear goal of minimizing cash expenditures prior to their Series A funding, while ensuring that this initial implementation provided a stable infrastructure base from which to quickly expand future capabilities.

Business Results

Using Cisco Unified communications and the unique service offerings of abciSP, Zogenix continues to bring the company’s multiple sites together, and to build a common culture for its entire organization, while having a stable and secure platform to advance its business goals. The primary benefit to Zogenix was time to full operations; the company’s IT infrastructure quickly became totally functional.

The voice system takes advantage of the security technologies that Zogenix has already deployed for its data network, which helps it to meet security requirements mandated by the federal government, including the Health Insurance Portability and Accountability Act (HIPAA).

The Solution

When Zogenix required a small office solution, pre-series A, with less than 5 on-site employees, Mr. Megargel, Vice President of Zogenix, asked abciSP to roll out a simplified office automation and unified network and phone solution that significantly reduced maintenance and administration cost. This solution included Microsoft Exchange, Blackberry service, Outlook Web Access, secure 100 GB of file storage, printers and print services and remote connectivity to the office as well as all voice, data, wired and wireless services – all operating on two pieces of IT equipment.

Summary
Zogenix Pharmaceuticals <ul style="list-style-type: none">• 20 employees• Specialty pharmaceutical company• \$60M Series A Round
Business Challenge <ul style="list-style-type: none">• Standup full IT capability quickly• Bring over legacy data (IP)• Voice and data to multiple locations• Overseas workers
Network and Data Solutions <ul style="list-style-type: none">• Immediate hosting solution for speed• Completed in-house capability solution• Cisco-Based Unified Communications• MS Exchange and BlackBerry
Business Results <ul style="list-style-type: none">• Continuity during rapid expansion• Full functionality in weeks, not months• Management confidence in IT solution

"Our VC backers are impressed with our technology sophistication and the speed of its implementation. Our understanding of network technology gives them confidence in our ability to execute. Being 100% virtual through abclSP has really worked for Zogenix at each stage of our development."

- Roger Hawley, CEO for Zogenix

With a one IT server and one unified device, abclSP was able to implement a network solution that was cost-effective, efficient, and fully able to support Zogenix users with minimal maintenance.

As Zogenix grew to 20 employees, abclSP migrated the primary office to a more comprehensive IT solution with enterprise level BlackBerry support, more robust storage capacity approaching 1 terabyte (1,000 GB), multiple printers, and Cisco Unified CallManager, which allows for advanced features such as voicemail delivered via email with full enterprise BlackBerry integration. Using a VOIP solution based on the Cisco ISR, abclSP leveraged its extensive knowledge of Internet Protocol-based technology and Zogenix limited the number of service providers required to manage the system.¹

Due to its unique start as a traditional Internet Service Provider (ISP), abclSP is able to provide nearly instant access to hosted office automation capabilities to new organizations. While abclSP is now a full-service IT provider, the company maintains significant hosting capability with its own collocation facility and backup data center, and now offers low priced email, Microsoft Exchange hosting, RIM BlackBerry support, SPAM protection, secure file storage, and hosted webmail, as well as more traditional services such as FTP and web hosting to industry clients.

Costs / Time

Hosted / Small Office. With this solution, a small office receives all of the office automation and networking equipment necessary to support a young organization. The average cost for a full T1 line (half data, half voice) is approximately \$500/ month, depending on location, and takes 30 to 45 business days for installation. The cost of one Cisco ISR device, capable of supporting up to 25 users in one location, is approximately \$25,000, installed and configured. This expense includes PBX, voicemail, routing, switching, and security configuration for a Cisco ISR device. Generally, the cost of hosted capabilities is around \$300 per user per month, plus any additional computer hardware, software, and peripherals the organization acquires.

Full implementation. Zogenix's full implementation required multiple T1 lines, PBX and voicemail capability at several locations. The cost for the enterprise edition hardware, software and labor is approximately \$110,000 installed including all hardware, software, maintenance contracts, and labor, and takes approximately 30 days from approval to installation. As Zogenix grew, they needed to move most of their IT resources in-house to meet expanding user requirements. With the company's growth and the concurrent demand placed upon the IT infrastructure, Zogenix realized the true value of a Unified network and data infrastructure: the overall cost to provide increased services actually decreased.² Recurring voice and data support costs for 20 employee's phone, server and desktop support averages approximately \$5-6,000 per employee / year for on-site IT support in multiple locations.

Zogenix, Inc (www.zogenix.com) is a private, specialty pharmaceutical company focused on the development and commercialization of medicines to treat CNS disorders and pain. Zogenix' initial focus is the global development and commercialization of *sumatriptan* Intraject® - a needle free, single use, disposable, subcutaneous delivery system that will compete in the \$2.5 billion triptan segment of the migraine market. Zogenix was founded in early 2006, and subsequently raised \$60.8 million in a Series A round in August of 2006, which was the largest Series-A healthcare financing for that year.

abclSP, Inc (www.abclisp.com) is a privately held IT solution provider specializing in the government and commercial life science markets, with specialized expertise in support of IT systems in a highly regulated market. The company was ranked 37th on the list of San Diego's Business Journal's 100 Fastest Growing Privately Held Companies in 2006 and has served San Diego area pharmaceuticals successfully for over 5 years. abclSP is a Cisco-certified partner and a Dell-certified value added reseller.

¹ In 2005, Sage Research reported that organizations that based their solutions on Cisco ISR devices save 30% when building out new network device installations. IT support cost becomes even more efficient as complexity is introduced, due to the common technology and equipment used in this project.

² As the 2005 Sage Research suggested, companies that have simple networks and use Cisco ISR spend 30% less on IT support, while organizations that have highly complex networks based on Cisco ISR systems spend 50% less as similarly sized non-ISR based companies.