PHARMSOL NEWS

THE FUTURE OF PHARMACEUTICAL CONTRACT DEVELOPMENT

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The global pharmaceutical contract development and manufacturing market is projected to reach USD 126.63 billion by 2024 from USD 90 billion in 2019, at a compound annual growth rate (CAGR) of 7.1% during the forecast period. Growth in this market is driven by the rising demand for generics, increasing investments in Pharmaceutical R&D, and investments in advanced manufacturing technologies by CDMOs. The increasing demand for biological therapies, growing focus on specialty medicines, growth in the nuclear medicines sector, and advancements in cell and gene therapies are expected to offer opportunities for market growth in the coming years.

The pharmaceutical development and manufacturing requirements are in constant flux. It is therefore imperative for companies to be abreast of industry trends to be successful and maintain their position in the market.
This market is bound by a myriad of challenges such as increasingly complex biologics development and manufacturing processes, drug pricing pressures, specialized requirements for manufacturing new product classes like novel forms of antibody-drug conjugates (ADCs). In response to market trends, the CDMO landscape is changing to meet evolving customer expectations. Further, a modest global economy and constantly changing regulations add to the challenges.

Significant CDMO Consolidation

Currently, the CDMO is a very fragmented market with the top 5 companies commanding a 10-15% share of the global market. This is, however, beginning to change, as more mergers and acquisitions are taking place across the industry, some of the biggest deals in the contract manufacturing sector took place from late 2016 through 2017.
More consolidation is expected in the next few years since many pharmaceutical companies are choosing to outsource to one full-service CDMO rather than several niche providers, as this simplifies the supply chain and can reduce time to reach the product to the market. Previously, big pharma companies had more than 300 CMO partners. In the present market scenario, these companies are looking to trim these partners to lesser numbers.
This is because the focus of pharma majors is now shifting towards long-term partnerships. In addition, many larger CDMOs are acquiring smaller, niche facilities in multiple locations; especially emerging markets, to help bolster and expand their capabilities.

Integration of CRO-CDMOs

The explosion of biotechnology has resulted in a sharp increase in the number of drug candidates under development. This has made it necessary to outsource stages of drug development processes to manage capacities and access scientific and process innovations in order to develop cost-effective and efficient drug molecules. Also, numerous trends in the pharmaceutical industry are encouraging companies to outsource a range of activities from discovery through commercial production.
Pharma companies, in particular, are transitioning to a leaner business model that relies heavily on outsourcing. The increase in drug development activities has also caused CDMOs and CROs to integrate with a focus on improving efficiencies. The lateral integration of CDMOs and CROs has also enabled a shortened make-test cycle, where drug product manufacturing can be integrated within the clinical program. This model has equivocal success in the European markets, US and hence it is now being adopted more frequently.

Small and mid-size Pharma Companies growth

Over the last few years, there has been a continual increase in the number of small, specialty pharmaceutical companies, which need a development and manufacturing partner. Small and medium-sized pharmaceutical companies, as well as emerging pharmaceutical companies, typically require CDMOs to carry out a large portion of their drug development and manufacturing activities that help in saving costs on in-house capacity expansion and manufacturing infrastructure.
Owing to these factors, small and emerging pharmaceutical companies represent a significant client base for CDMOs. The small and mid-sized pharma companies' segment is projected to grow at a CAGR of ~8% during the next five years.
However, one of the major challenges faced by small and medium-sized pharmaceutical companies is that their smaller single projects often do not fit well within larger CDMOs, which results in delayed projects. This challenge is being magnified because of the increasing consolidation in the industry, which is creating larger CDMOs that are not perceived as suitable partners for smaller clients.

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