The contract manufacturing industry has changed dramatically over the last decade. As large pharmaceutical companies increase their focus on orphan and specialty drugs, they are also seeking ways to reduce operating expenses and remove excess capacity—which directly impacts contract manufacturing organizations (CMOs). CMOs, under similar pressures to reduce costs, improve efficiency and agility, and adhere to stringent global regulations, must consider the opportunities available in this highly competitive landscape. They must also determine if they want to make the investments needed to enter into the contract development and manufacturing (CDMO) arena.

Below are five key trends that contract manufacturers will need to consider and address in the coming year, along with strategic guidance for each.
Due to Big Pharma spinoffs and facility closures, many CMOs and new-to-the-market investment firms now have high volume manufacturing sites and packaging equipment, with more small volume customers. With tight profit margins and strained resources, some CMOs are struggling with how to best serve their customers. Large-scale changes that improve customer service requires CMOs to invest in new areas, such as project management, contract development & execution, enterprise technology, capacity management and quality. These efforts often involve bringing in new in-house resources or skilled external partners to assist with implementation and change management.

The contract manufacturing model has traditionally offered customers lower costs, improved flexibility, increased order turnover, and reduced product transfer timelines. Today, however, CMOs are under mounting pressure to increase profit margins as core pharmaceutical manufacturing capabilities become commoditized. Traditional CMOs need to determine if they are going to add the scientific and development assets necessary to move upstream in the pharmaceutical value chain, or if they will continue to compete through scale and price. Whether considering emerging opportunities such as biosimilars or adding assets, CMOs should examine their core competencies and determine how to best partner with pharmaceutical clients to capture market share in an increasingly crowded landscape.

REFERENCES
