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Companies allocate 11% budget for CMO: Report

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Singapore: Global contract manufacturing market is growing steadily with firms allocating up to four percent of annual organization revenues for contract manufacturing organization (CMO) services, with a likely markup to 11 percent within the next three years, according to Frost and Sullivan.

On average, firms partner with six CMOs, indicating high potential for business. However, the overall satisfaction and likelihood of contract renewal is fairly low - around 40 to 50 percent across all product types.

According to a recent survey by Frost & Sullivan, that surveyed 312 global decision makers from biotechnology and pharmaceutical firms, reveals that of all parameters used in CMO agreements and selection, volume commitments ranks as the most important, followed by manufacturing capacity and site transfer capabilities. Survey respondents indicated that overall quality, clean regulatory track record, and confidentiality/security were the primary factors considered when selecting a CMO.

"While packaging, logistics and clinical trial supply are the most prevalent services currently being outsourced, organizations are particularly keen to leverage CMOs' capabilities of outsourcing drug delivery technology services in the near future," said Tonya Fowler, Customer Research Global Director, Frost & Sullivan. "Thirty-seven percent of respondents also stated they were likely to partner with a CMO that functioned as an external consultant, mainly in cases where they required manufacturing consulting."

Pharmaceutical and biotechnology companies have shown a preference for CMOs operating in their region and those with improving geographic reach and expertise. However, they are unlikely to outsource research and development due to concerns regarding competitive intelligence and CMOs' inability to hire key staff.

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Furthermore, of the top 15 CMOs, Baxter Biopharma Solutions, Boehringer Ingelheim, and Pfizer CentreSouce have been identified as charging the highest premiums but also offer the most comprehensive range of services.

"It is important for CMOs to keep all these preferences and perceptions in mind to formulate robust strategies to effectively compete in the market and increase the level of satisfaction and loyalty among customers," remarked Fowler.