

## **A Platform of Contract Manufacturers Will Benefit Pharma Industry, but Who Will Own It?**

Manufacturing is not considered a core capability by many pharmaceutical companies, who prefer to concentrate on research and development to support the pipeline of generic, biologics, biosimilars, and personalised medications. In addition to reducing time-to-market, outsourcing may result in lower costs than in-house production.

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The contract manufacturing business is witnessing impressive growth in the pharmaceutical industry. According to MarketsandMarkets, a competitive intelligence and market research platform, the global pharmaceutical contract manufacturing market size is estimated at \$176B in 2023 and expected to be growing at 7.9% CAGR till 2028. Several factors are contributing to this growth. Many pharmaceutical companies want to focus on R&D to support the pipeline of generic, biologics, biosimilars, and personalized medicines, and do not think of manufacturing as a core competency. Outsourcing also helps in decreasing time-to-market and may lead to lower cost than in-house manufacturing. Greater demand for their services has prompted contract manufacturers to expand existing facilities, set up new facilities, and form joint ventures.

Despite the demand for contract manufacturing services and the presence of the associated ecosystem, matchmaking remains a challenge. The process of selecting and onboarding CMOs can be very tedious and can take 6-12 months based on the complexity of the manufacturing process. One reason is that the information on the number of equipment, availability of FDA (and other local) approvals, availability of staff at CMOs is not readily available to client companies. The long and tedious contract negotiation process, fragmented nature of contract manufacturing market with 5,000+ CMOs, and geographic diversity of the CMOs also do not help. This inability to timely onboard a CMO has a real business cost since it hampers the time-to-market, which is a critical parameter for generics drugs. It is typically seen that a company that launches the first generic drug significantly captures the market.

The problem of finding a partner is not one-sided. The CMOs also face their share of frustrations as a substantial portion of the drugs do not make it to the market after the clinical trial manufacturing phase. Additionally, the must-have comprehensive quality checks by the pharmaceutical and biopharmaceutical companies take time.

One solution to this problem is a CMO platform/aggregator, which can facilitate information sharing by exhibiting the relevant data of the CMOs and keeping it up to date. For example, the platform can present a CMO scorecard based on past commercials; operational; quality; environment, health, and safety (EHS); and

technical parameters. This will significantly reduce the transaction time and the time-to-onboard a CMO. We estimate the reduction in the total transaction and onboarding time to be 50% - 75%. The platform can also provide additional services such as performing quality checks of the CMOs while they are onboarded, and contract management services.

A CMO platform will be a major boost to the Indian pharma industry. Indian Brand Equity Foundation (IBEF) highlights that contract research and manufacturing services is the fastest growing segment in the pharmaceutical and biotechnology industry in India. As per Mordor Intelligence, a market research consulting firm, the Indian contract manufacturing market size is estimated to be at \$19.63B in 2023 and expected to grow at 14.67% CAGR till 2028, approximately double the global CAGR. Clearly, with the presence/ of 60000+ different generic brands over 60+ therapeutic categories, a CMO platform is the need of the hour.

But then, who should own the CMO platform? One possibility is an independent start-up. Unfortunately, the platform is unlikely to be sustainable as a business unit. Our analysis indicates that the revenue is unlikely to cover the cost of operating the platform, which includes the technology cost and the cost of timely updating the CMO details. Additionally, incentivizing CMOs to share their details can be a challenge for a single-firm platform.

This is where we take inspiration from the Open Network for Digital Commerce (ONDC) and suggest that this task of incubating a CMO platform can be either taken-up by a consortium of pharmaceutical and biopharmaceutical giants, or bodies like International Pharmaceutical Federation (IFP), Confederation of Indian Pharmaceutical Industry (CiPi), Organization of Pharmaceutical Producers of India for the greater good of the entire pharmaceutical industry.

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