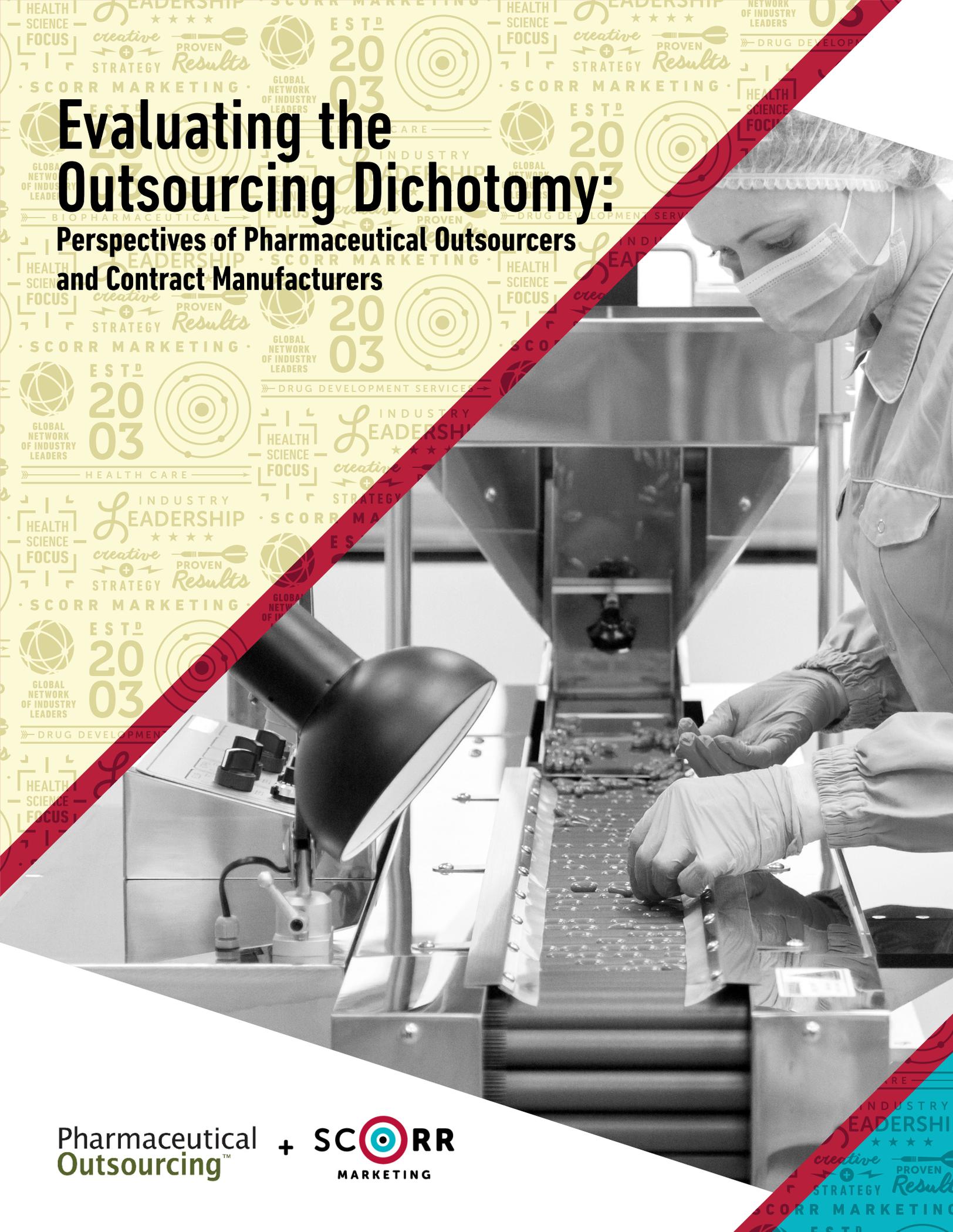


# Evaluating the Outsourcing Dichotomy: Perspectives of Pharmaceutical Outsourcers and Contract Manufacturers



Pharmaceutical Outsourcing™ + SCORR MARKETING

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# OBJECTIVE

SCORR Marketing, in conjunction with Pharmaceutical Outsourcing, conducted a survey of life science professionals to:

- Gain a better understanding of the process behind selecting CDMOs and CMOs
- Determine how and how often companies outsource and how they prefer to search for information about CDMOs and CMOs
- Identify any differences between the perspectives of those who work for companies that outsource (pharmaceutical and biopharmaceutical companies) and those who work for CDMOs and CMOs (manufacturers)

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# METHODOLOGY

SCORR Marketing developed questions and used a web-based tool to administer the survey. Participants were recruited by email using Pharmaceutical Outsourcing's database. Responses were collected from Feb. 21, 2019, through March 13, 2019. Respondents were from North America (74%), Europe (16%), and Asia (10%).

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# PRESENTATION OF DATA

Where possible, survey results are presented in a way that allows readers to easily compare the perspectives of outsourcers to those of manufacturers.

# KEY FINDINGS

## Selecting a CDMO/CMO

- Short List – Creating a short list of prospective CDMOs or CMOs is about who you know. When asked to identify what sources are used to create a short list, the top three answers given were existing relationship, prior relationship, and referral from trusted colleague.
- The Right Stuff – When evaluating a CDMO/CMO, the top two attributes that outsourcing companies look for are quality of staff/technical expertise and capabilities/innovative technologies.
- The Wrong Stuff – Poor communication is the most prevalent deficiency identified by outsourcers when working with a CDMO/CMO, but quality issues are what is most likely to push an outsourcer to consider switching to another manufacturing vendor.

## Client Relationship Models

- One-Stop Shopping – More outsourcers prefer using multiple specialized vendors over a one-stop shop, but manufacturers believe that outsourcing companies prefer using a one-stop shop that integrates offerings.
  - Very few outsourcers work with just one CDMO/CMO. A majority use either two or three and most expect to increase the number of outsourcing partners they work with over the next three years.
  - The top two observed benefits to the one-stop shop model are improved quality management and reduced burden of technical transfer.
  - One-half of outsourcing companies review and evaluate their outsourcing relationships on an annual basis.



# KEY FINDINGS

## Making Connections

- What? – According to outsourcers, information about new technologies/equipment is the most important information they can receive from manufacturers.
- How often? – Monthly.
- In what way? – Websites are the preferred format for all respondents. Outsourcers also favor white papers, articles, and podcasts/webinars as means to receive information about and from CDMOs/CMOs. Manufacturers' preferences for blogging or social media are not matched by those on the receiving end of the information, although LinkedIn was identified as the most utilized social media platform. Outsourcers also prefer scientific journals to any other type of publications.
- Where? – Conferences/trade shows and websites are both the top two sources of information about CDMOs/CMOs and the top two outlets for manufacturing companies to share information about themselves.
  - Conferences – Overall, survey participants indicated the AAPS conference is the most attended conference of the 13 conferences listed.
  - Among outsourcers, AAPS and BIO tied for first.
  - Among manufacturers, CPhI was first, and AAPS and DCAT tied for second.

## Technologies and Trends

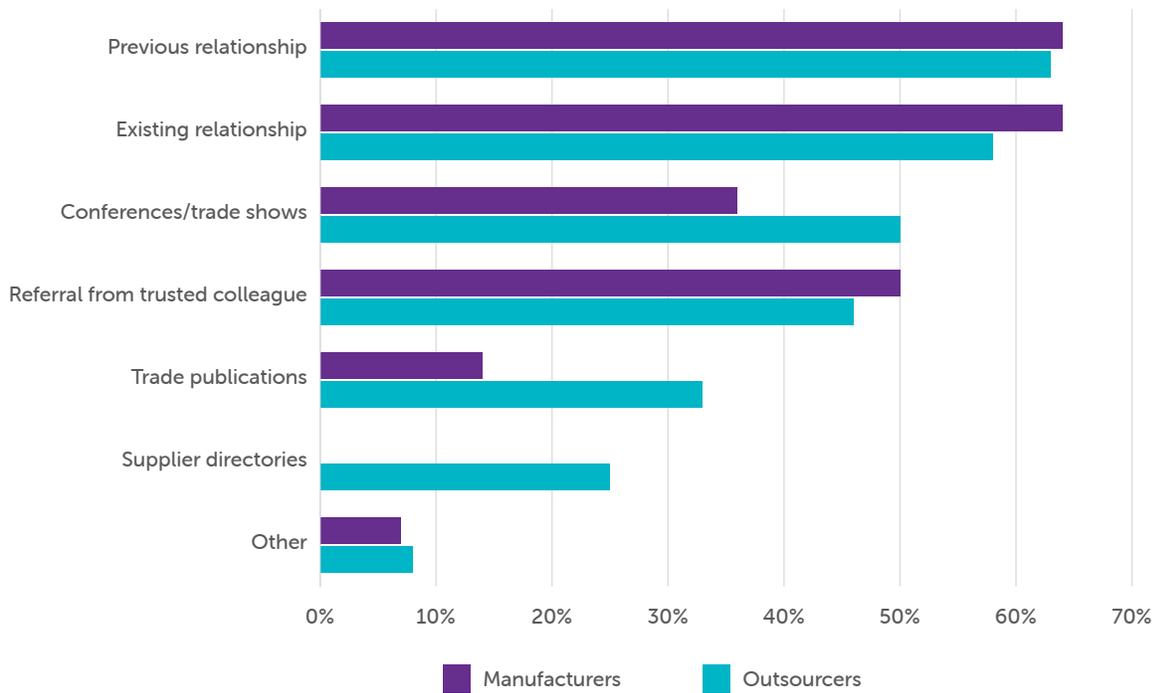
- When asked to rate the importance of eight technology trends with respect to the impact on their business in the next 12 months, CDMOs/CMOs assigned process optimization the highest rating. Biologics continuous manufacturing was given the lowest rating.
- In rating the importance of six economic, political, and trade issues with respect to the impact on their business in the next 12 months, regulatory changes was the highest rated issue by a large margin. Brexit and the EMA move were rated least important.
- Based on communications with clients, CDMOs/CMOs identified two areas where they most need to grow their capacity: high-potency APIs and specialized formulation capabilities. Cold chain logistics and storage solutions was the area where the fewest respondents expect a need for increased capacity.
- Slightly more than one-half of those surveyed believe that outsourcing levels to CDMOs/CMOs will increase in the next three years. However, CDMOs/CMOs are more optimistic.

# SELECTING A CDMO/CMO

## Creating a Short List

When outsourcers look for a new CDMO/CMO, existing and previous relationships are the most likely sources used to create a short list. Manufacturers underestimate the influence of conferences, supplier directories, and trade publications in an outsourcer's search process.

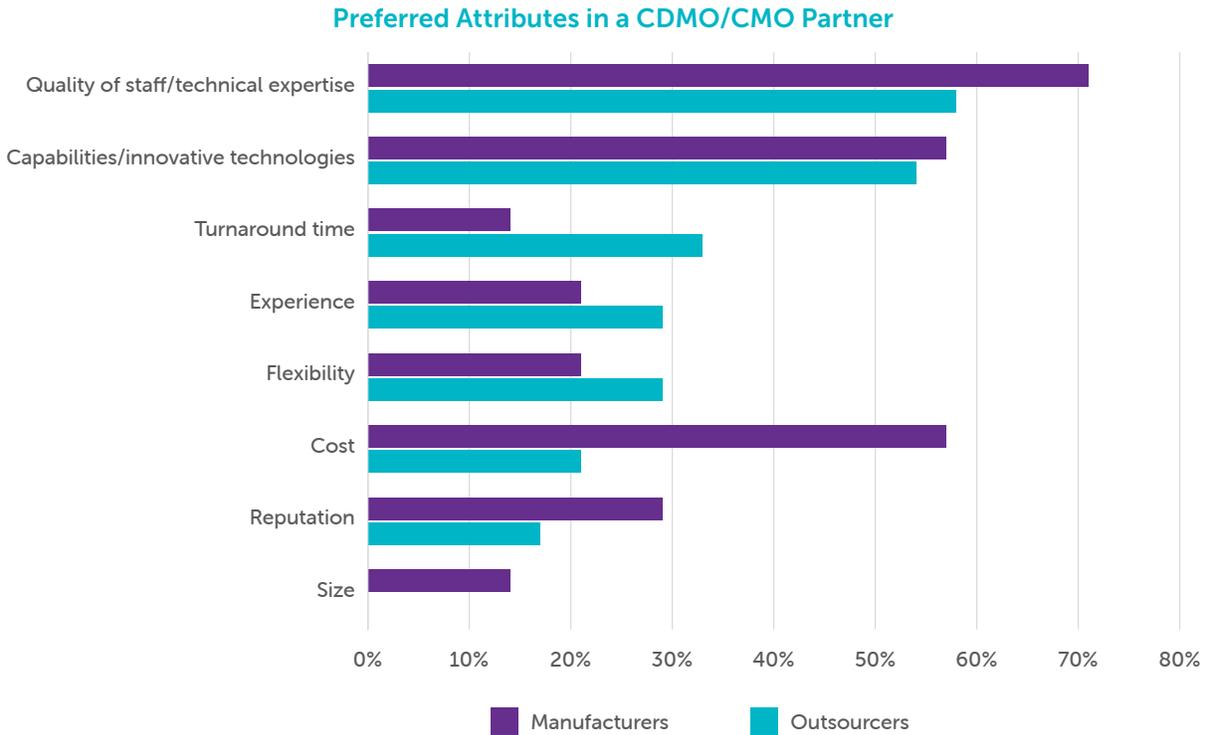
How Companies Create a Short List of CDMOs/CMOs



# SELECTING A CDMO/CMO

## Preferred Attributes

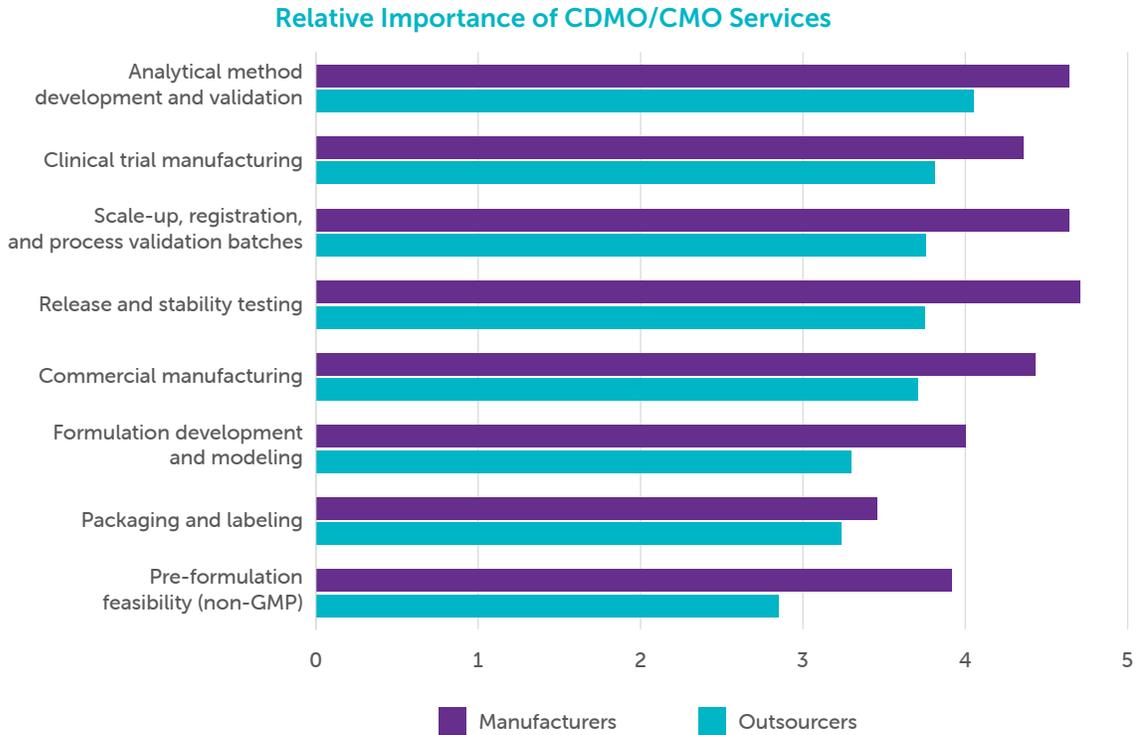
When evaluating a CDMO/CMO, outsourcers value the manufacturer's technical expertise and capabilities above all else. Manufacturers overestimate the importance of cost and underestimate turnaround time.



# SELECTING A CDMO/CMO

## Important Services

When respondents were asked to rate on a scale of 1-5 (with 5 being the highest) how important it is for a CDMO/CMO to provide eight services, outsourcers identified analytical method development and validation as the most important service for a CDMO/CMO to provide. Manufacturers rated each of the eight services more highly than did outsourcers, with the largest discrepancies in the areas of pre-formulation feasibility, release and stability testing, and scale-up.

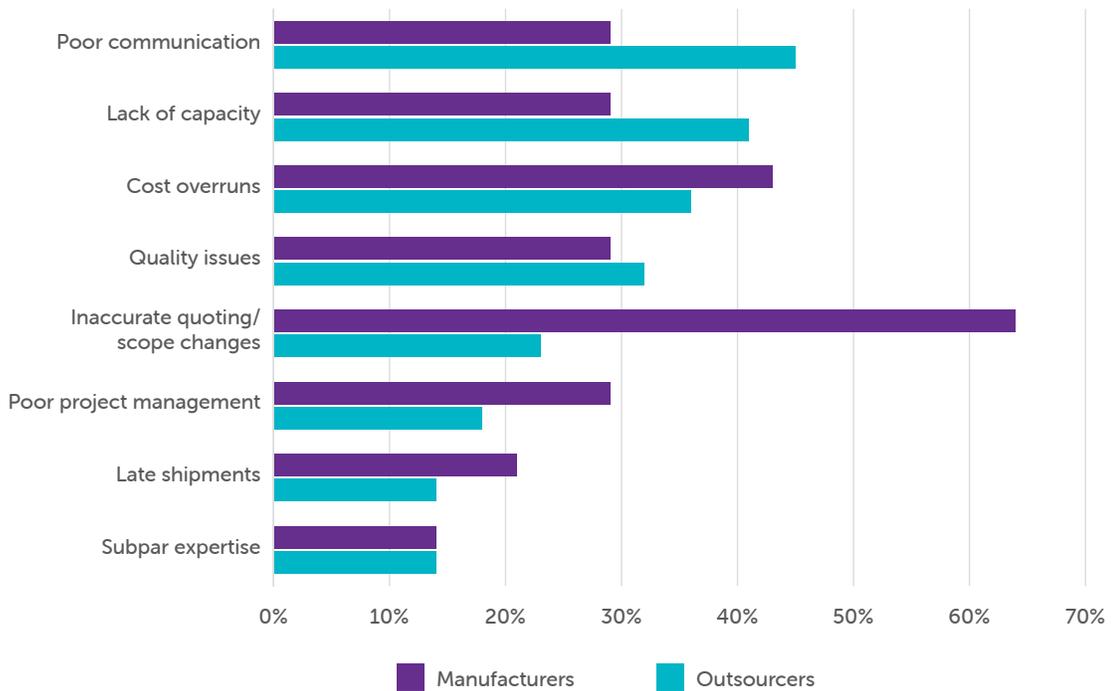


# SELECTING A CDMO/CMO

## Common Deficiencies

Outsourcers believe poor communication, lack of capacity, and quality issues are the most prevalent deficiencies with manufacturers. However, manufacturers see inaccurate quoting and scope changes as a much bigger problem than do the companies that hire them.

Most Prevalent Deficiencies of CDMO/CMO Services

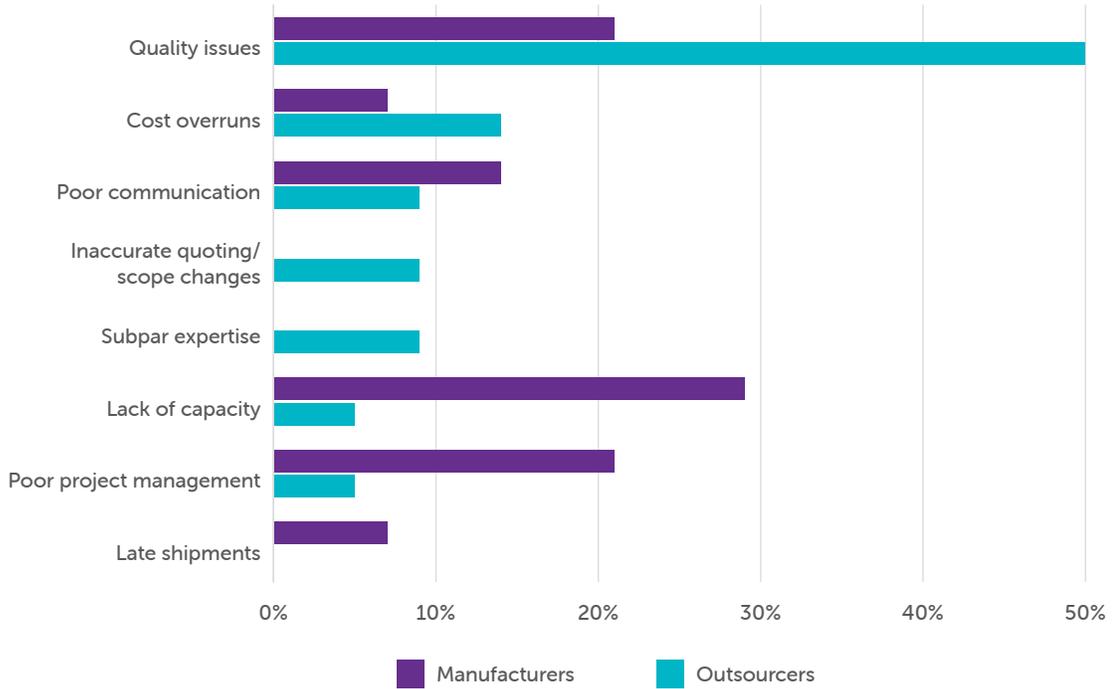


# SELECTING A CDMO/CMO

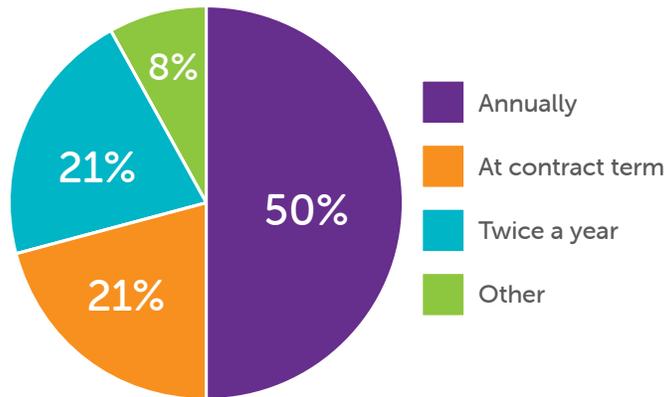
## Deficiencies That Drive Switching

Overall, quality issues are what is most likely to make an outsourcer switch to another CDMO/CMO. However, CDMOs/CMOs believe that a lack of capacity is more likely to be a deal breaker.

Deficiencies That Would Cause an Outsourcer to Switch to Another Vendor



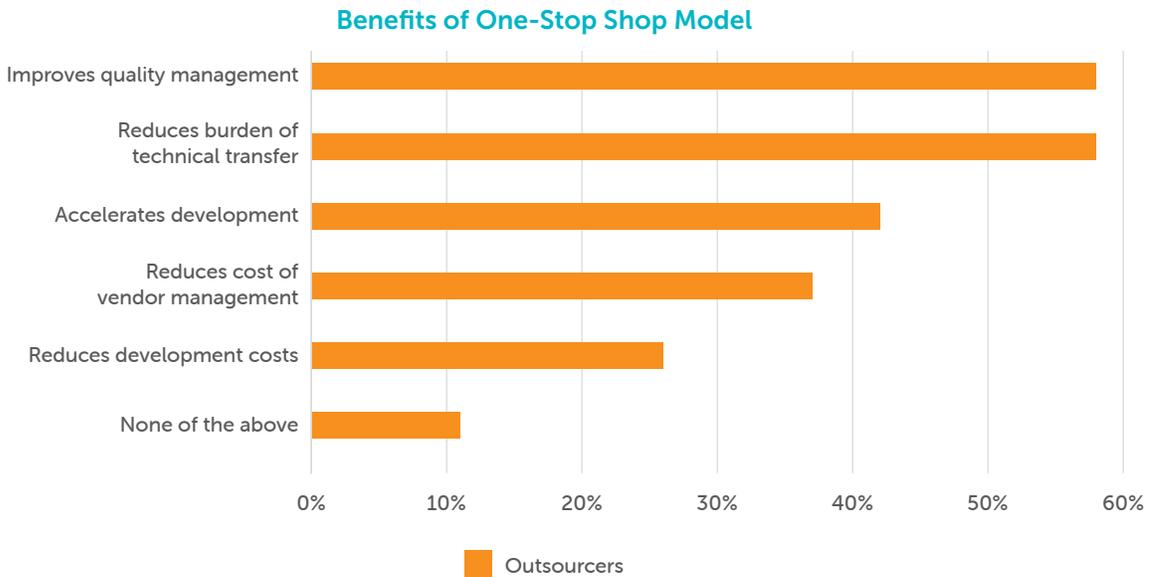
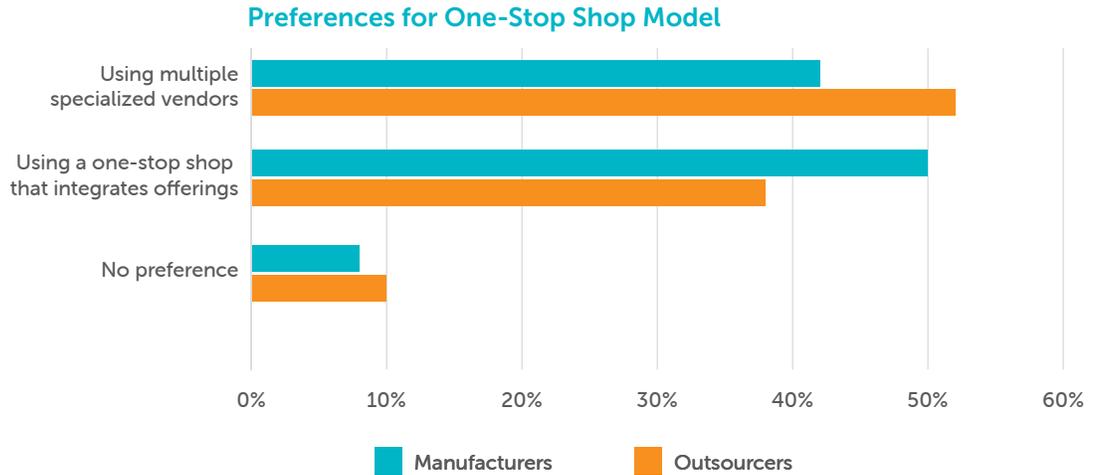
How Often Outsourcers Evaluate Outsourcing Relationships



# CLIENT RELATIONSHIP MODELS

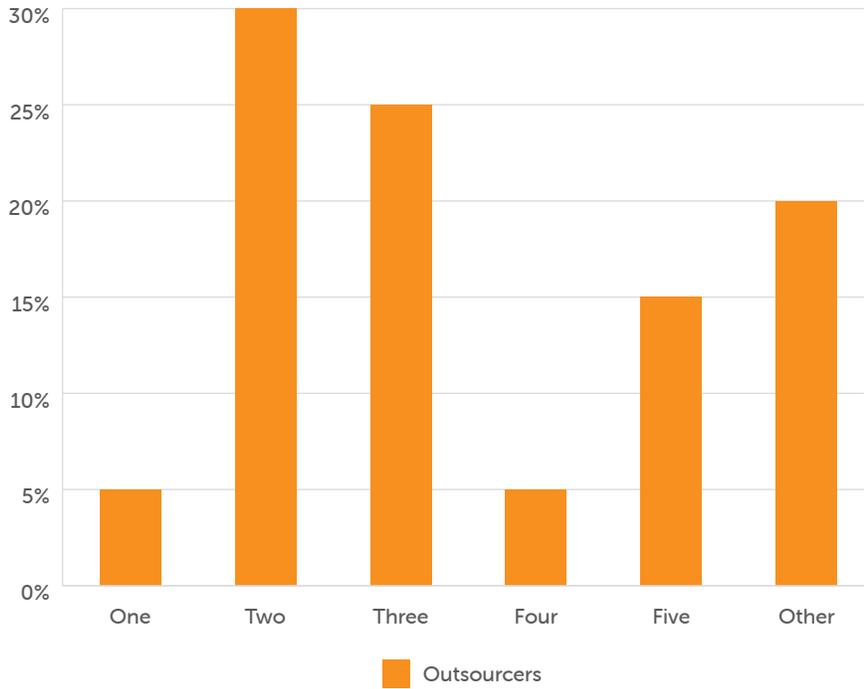
## One-Stop Shop Preferences

A slim majority (52%) of outsourcing companies prefer using multiple specialized vendors, while more manufacturers believe these companies prefer using a one-stop shop that integrates offerings (50%) to using multiple specialized vendors (42%).

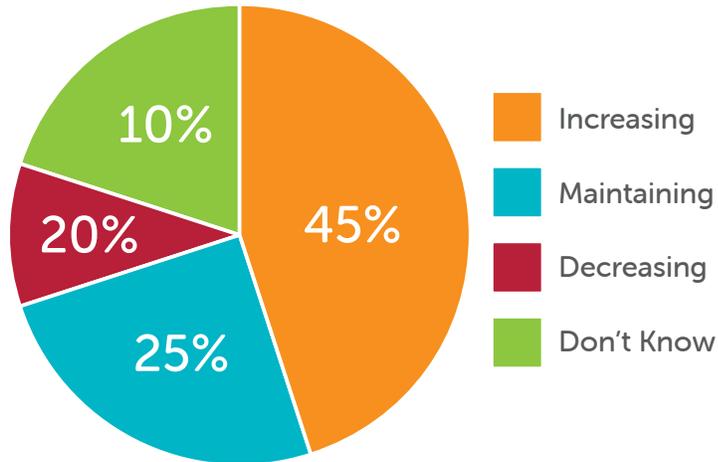


# CLIENT RELATIONSHIP MODELS

Number of Manufacturers That Outsourcers Work With



Outsourcers' Expectations Regarding Number of Manufacturing Partners

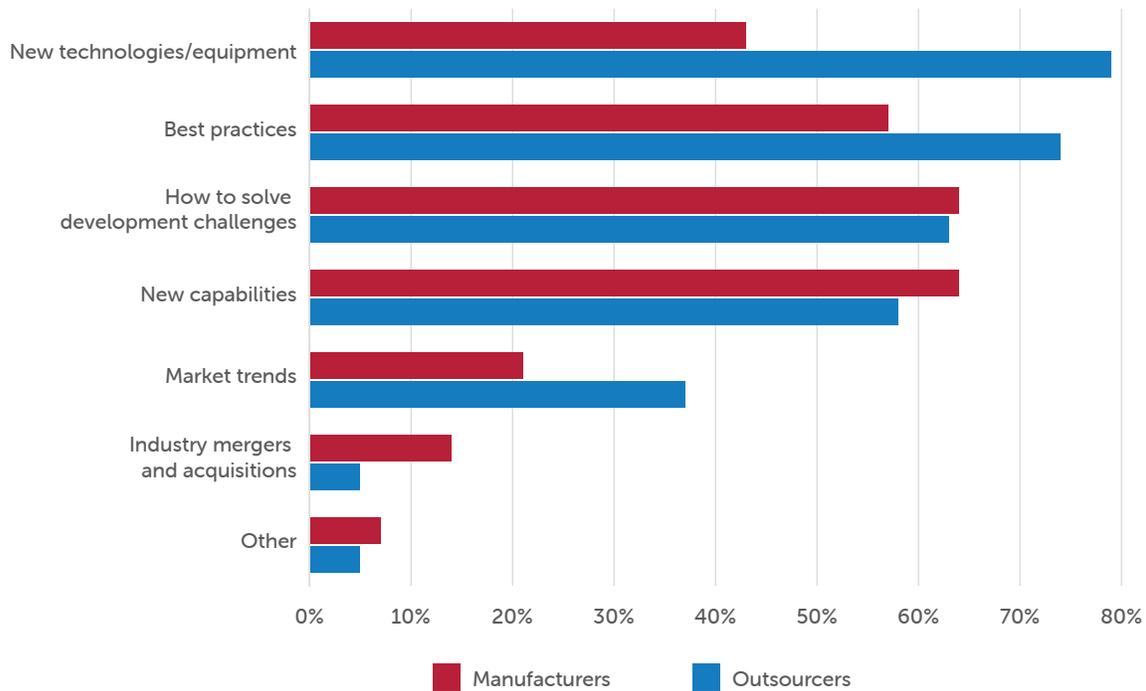


# MAKING CONNECTIONS

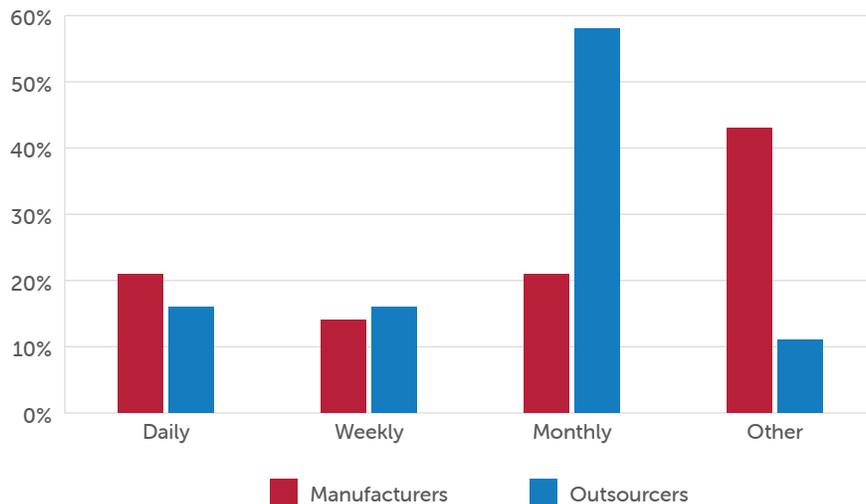
## Important Information

Outsourcing companies say they most need to know about new technologies and equipment. However, manufacturers were much less inclined to believe this is a topic that would be of interest to their prospective customers.

### What Information Is Important to Outsourcers



### How Frequently Outsourcers Search for Information about Manufacturers

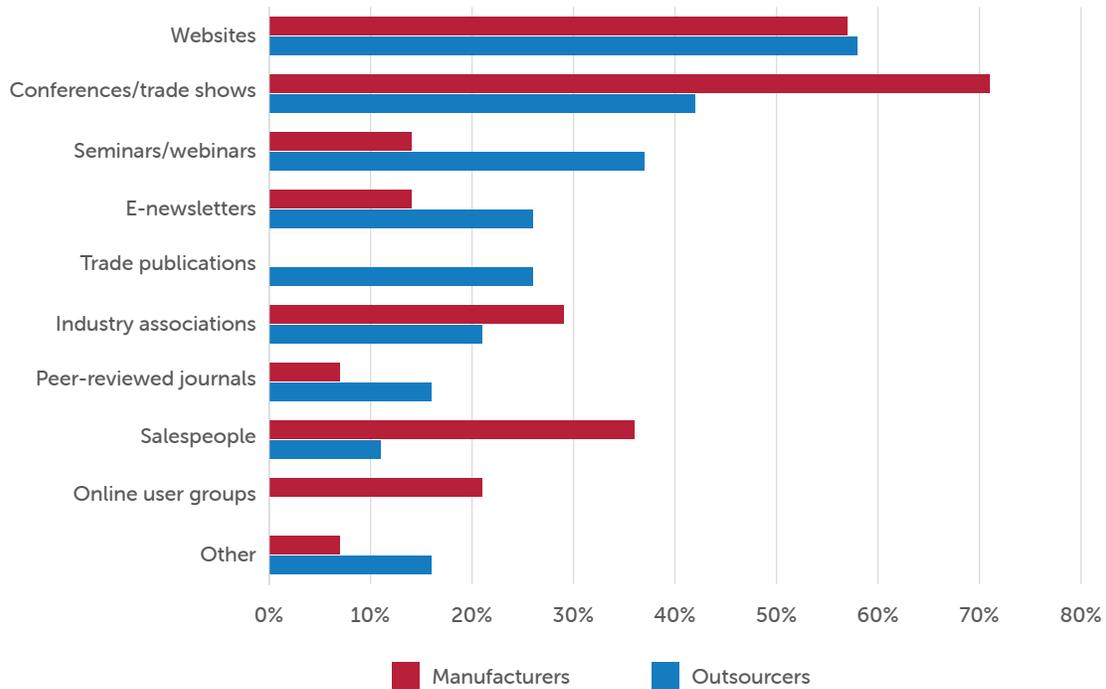


# MAKING CONNECTIONS

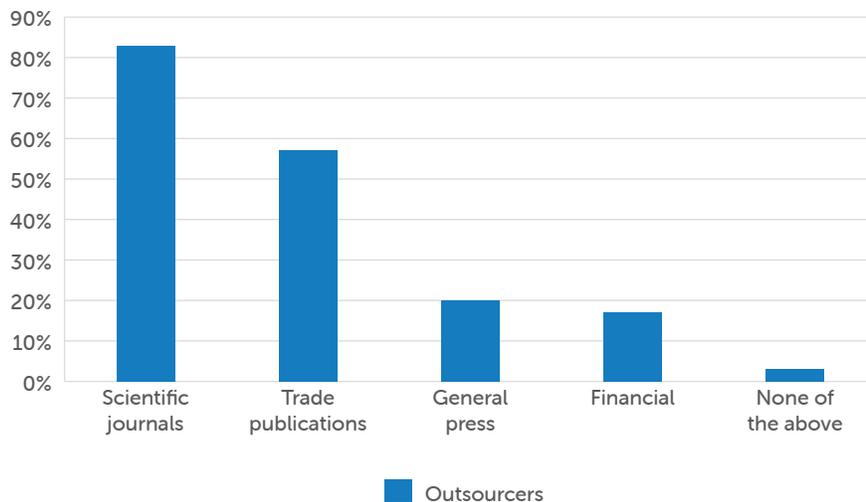
## Where Outsourcers Learn About CDMOs/CMOs

- Websites and conferences are the preferred places for outsourcers to gather information about manufacturers.
- Outsourcers also often find information about CDMOs/CMOs through seminars/webinars, trade publications, and e-newsletters – which are three avenues that manufacturers said they seldom use to share information.

Where Outsourcers Look for Information About Manufacturers



Preferred Publication Types of Outsourcers



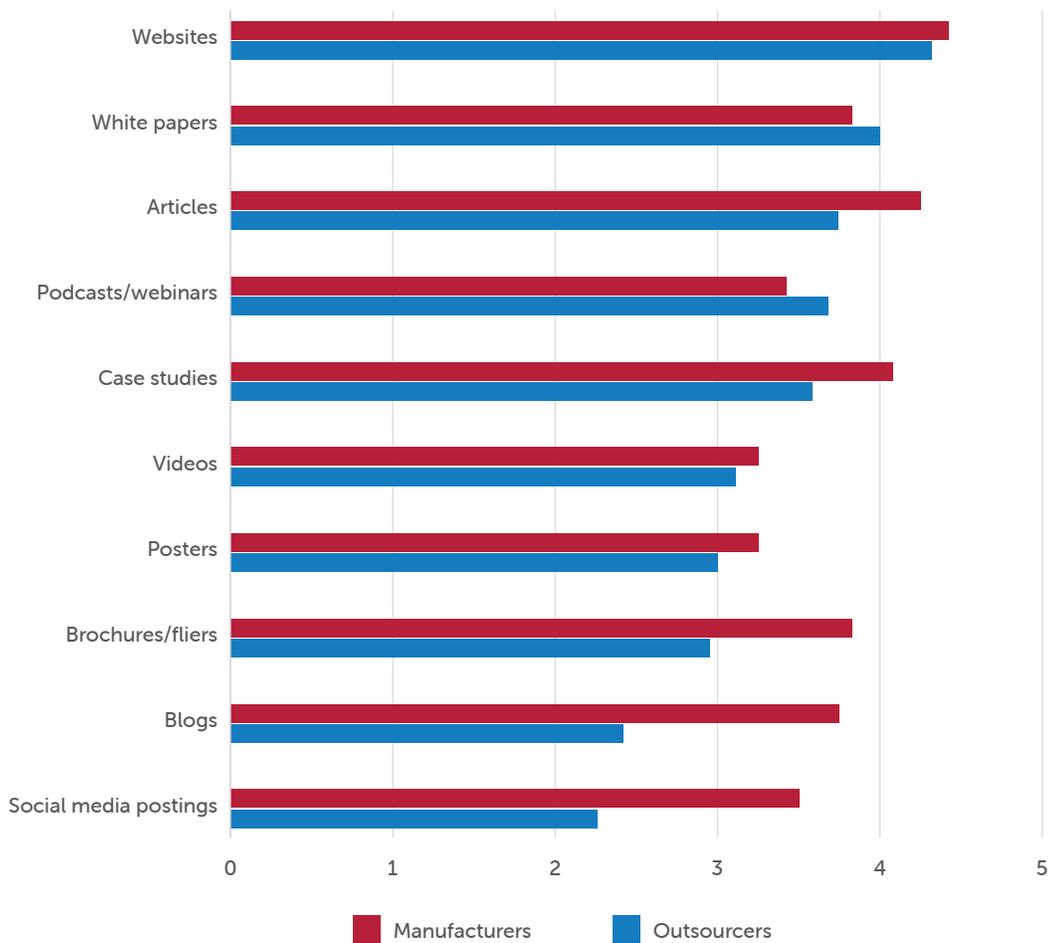
# MAKING CONNECTIONS

## Preferred Formats for Information About Manufacturers

When asked to rate on a 1-5 scale (with 5 being the highest) a number of formats in which to receive or provide information, outsourcers and manufacturers both indicate a preference for websites.

- Outsourcers expressed a stronger preference for white papers and podcasts/webinars. However, these formats are not the ones most preferred by manufacturers.
- Blogs and social media are significantly more preferred by manufacturers than by outsourcing companies.

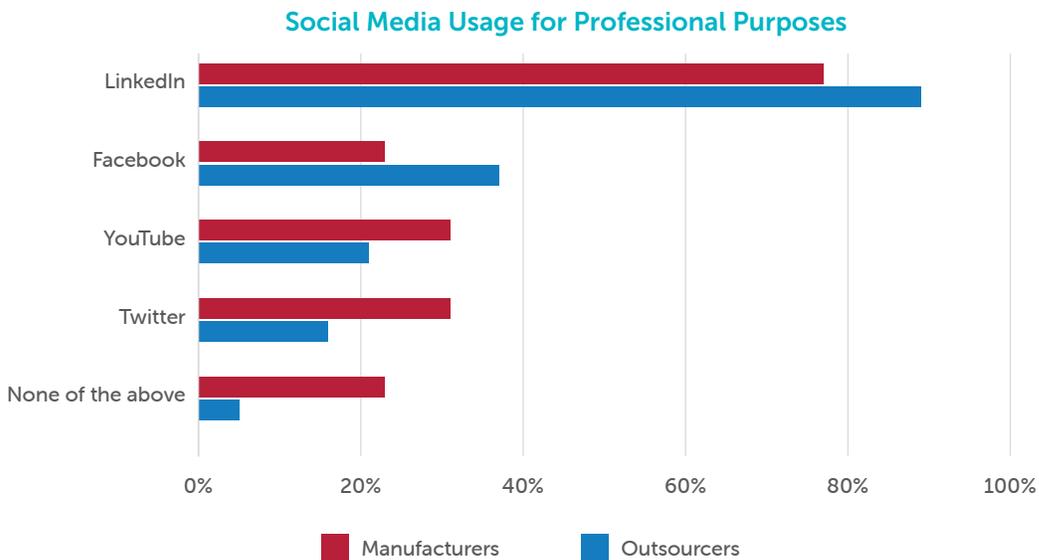
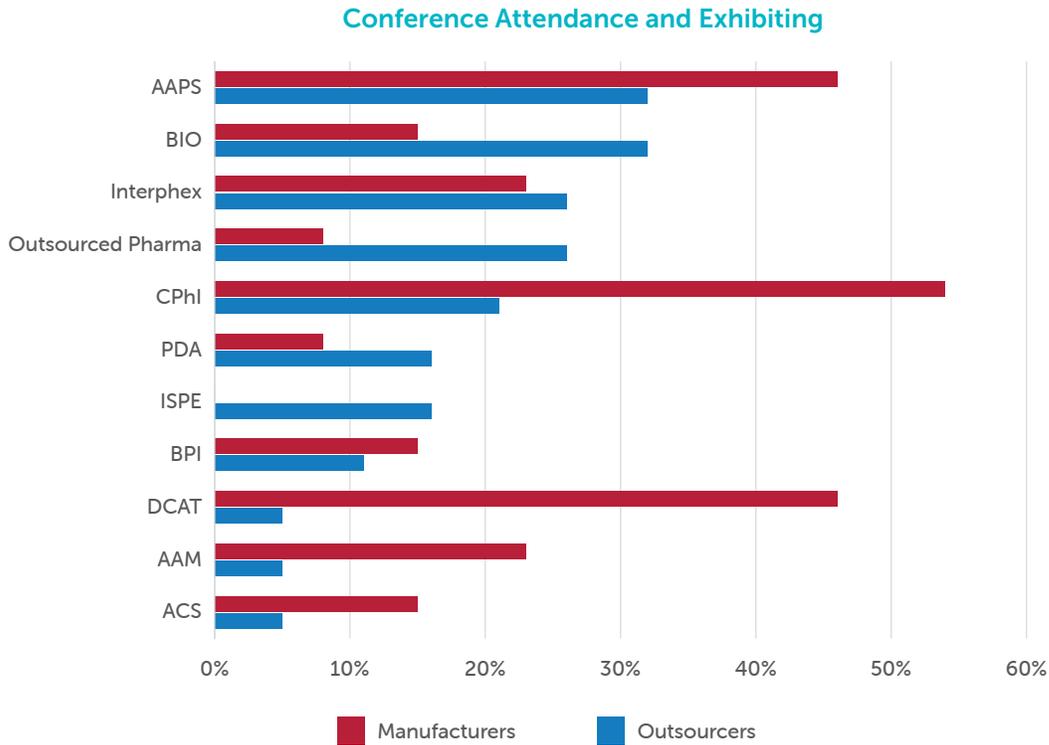
Preferred Formats for Receiving or Disseminating Information About CDMOs/CMOs



# MAKING CONNECTIONS

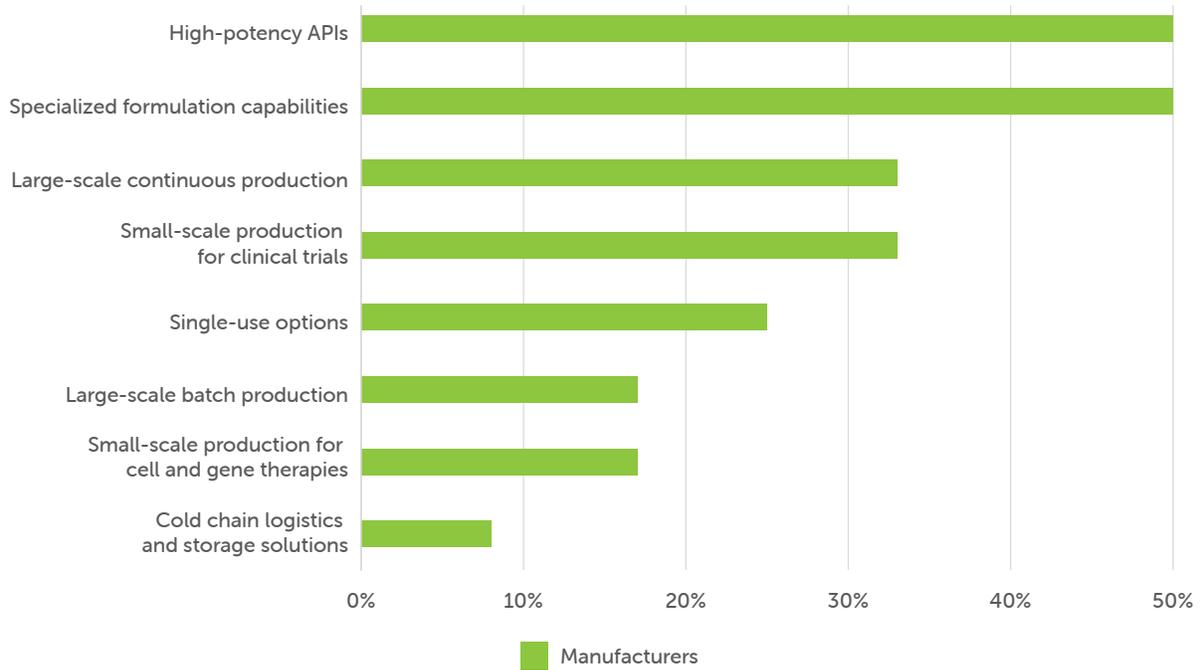
## Preferred Conferences

For those who participated in the survey, AAPS is the most attended conference of the 11 listed. It is tied for first among outsourcers and tied for second among manufacturers.

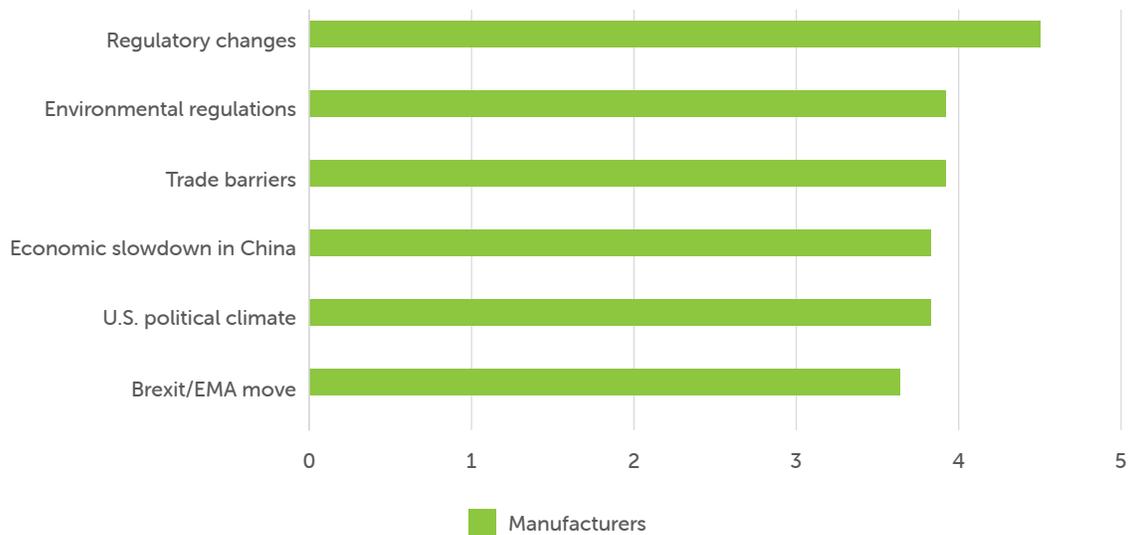


# TECHNOLOGY AND TRENDS

## Future Capacity Needs Based on What Outsourcers Are Asking For



## Expected Impact of External Issues Over Next 12 Months

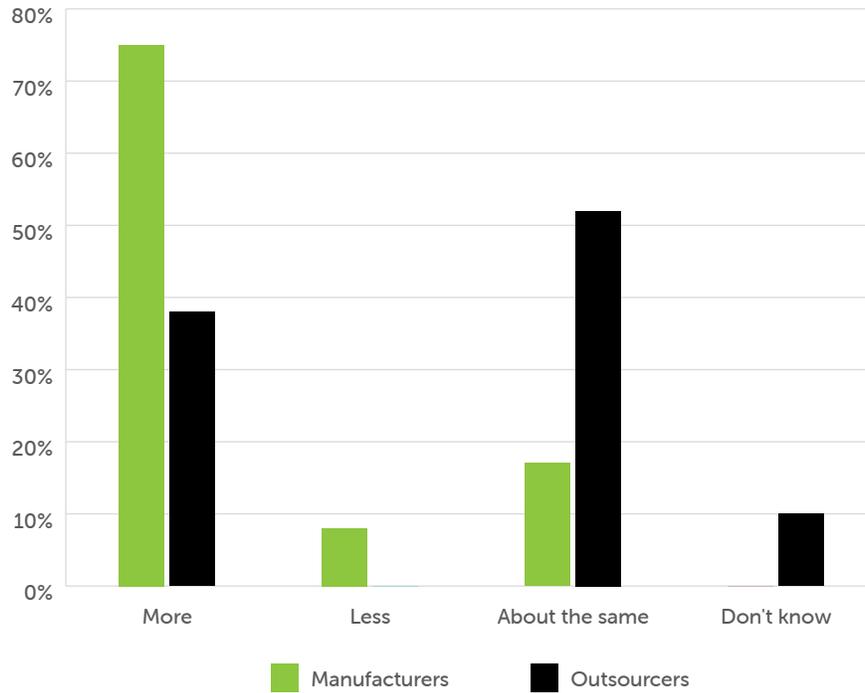


# TECHNOLOGY AND TRENDS

## Outsourcing Trends

Manufacturers (75%) are about twice as likely as companies that outsource (38%) to believe outsourcing to CDMOs/CMOs will increase.

Will Outsourcing Increase, Decrease, or Stay the Same Over the Next Three Years?



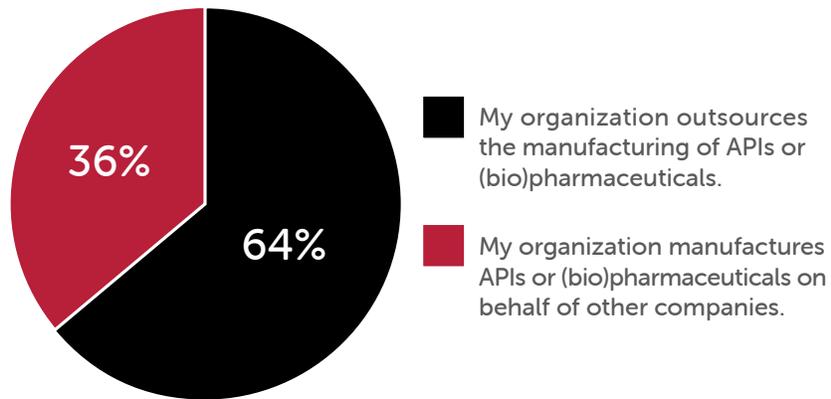
# CONCLUSIONS

- There are significant gaps in perspectives between outsourcers and manufacturers. For example:
  - One-stop shops are not as important to outsourcers as manufacturers expect.
  - To develop their short list of prospective manufacturers, outsourcers rely on supplier directories, trade publications, and trade shows much more than manufacturers would have presumed.
  - When it comes to attributes that outsourcers prefer in a partner, manufacturers overestimate the importance of cost and underestimate turnaround time.
  - Outsourcers believe poor communication is the biggest deficiency they see in their relationships with manufacturers; on the other hand, manufacturers expected that inaccurate quoting and scope changes would be the No. 1 reason outsourcers would consider switching to a different CDMO or CMO.
- Manufacturers need to be focused on developing long-term relationships: The business is still largely relationship driven.
- High-potency APIs and specialized formulation capabilities have been identified as having growth potential.
- Manufacturers will be well served providing information to outsourcers in the manner in which these outsourcers prefer. Because this survey identified a disconnect in the outsourcers' and manufacturers' perspectives in these areas, manufacturers might find it advantageous to reevaluate their marketing approach.

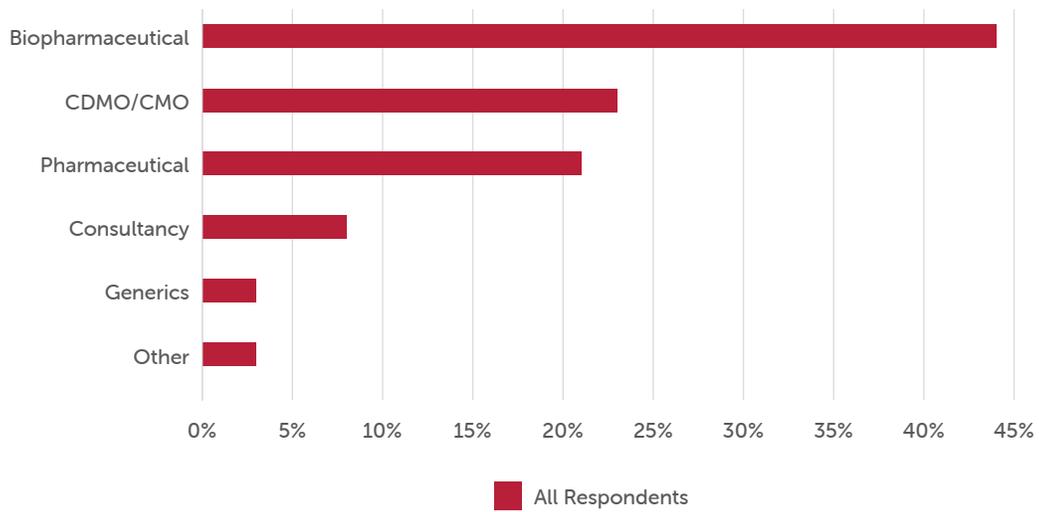


# RESPONDENT DEMOGRAPHICS

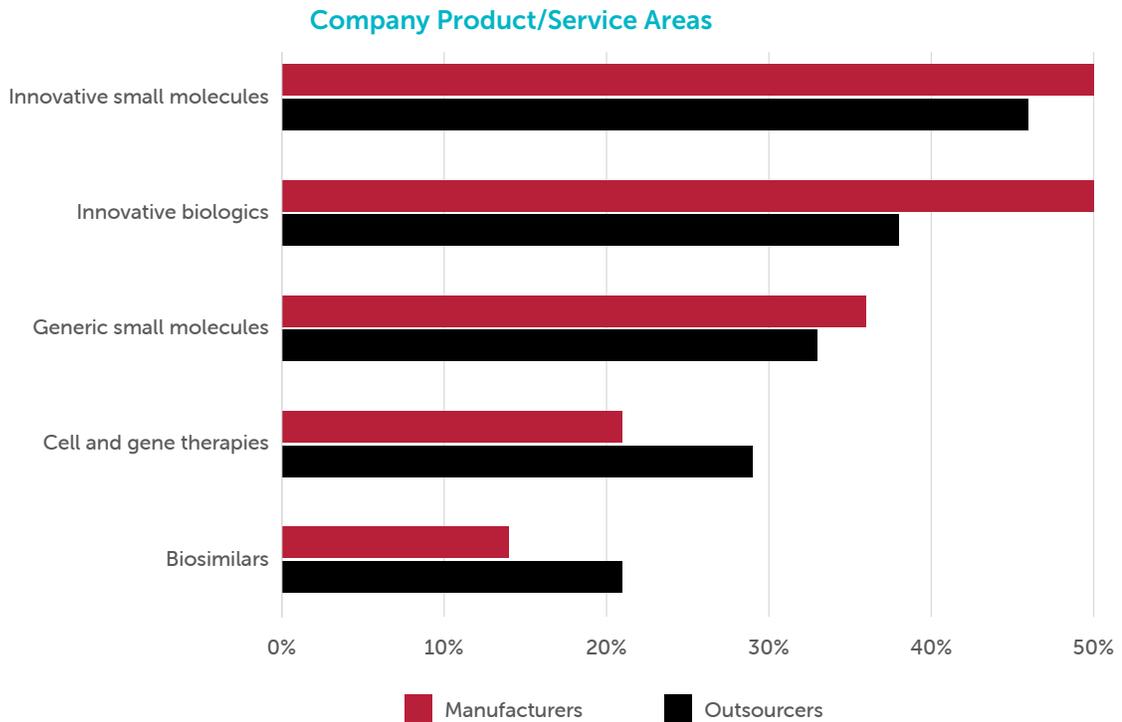
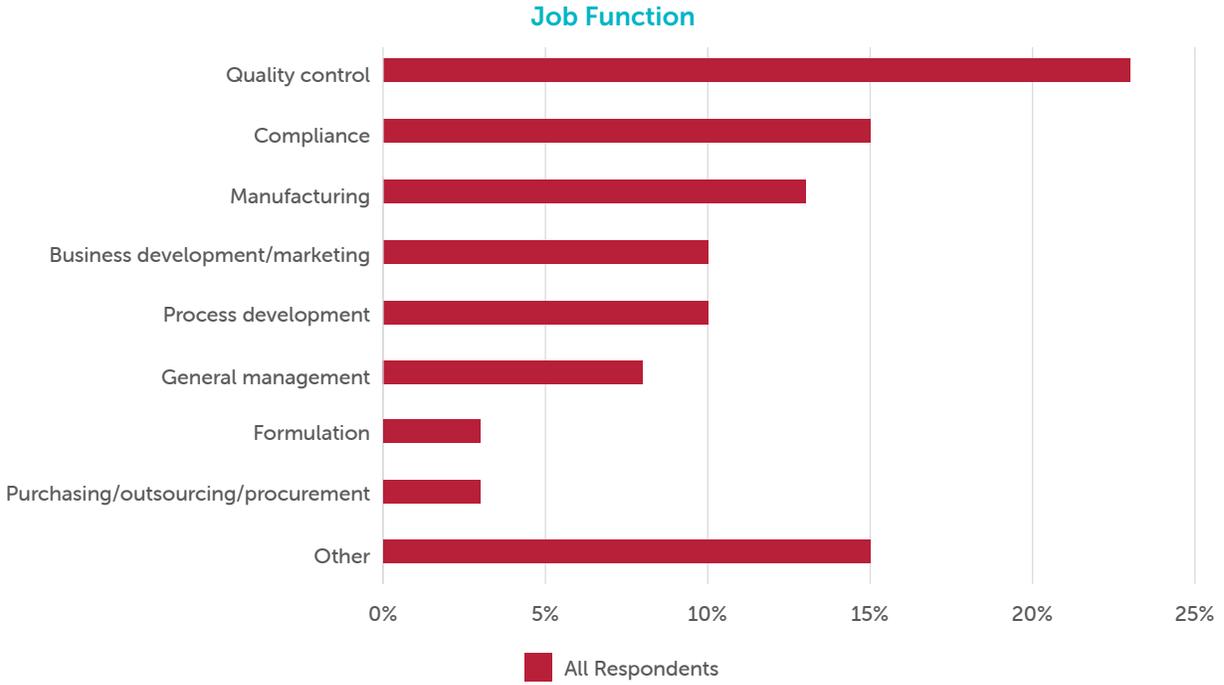
## Outsourcer or Manufacturer



## Company Type



# RESPONDENT DEMOGRAPHICS



# RESPONDENT DEMOGRAPHICS

Number of Employees at Company

