

中国医药外包年鉴 2010

China Pharma Outsourcing Annual Review 2010



Report Description

In our 2009 China Pharma Outsourcing Annual Review, we analyzed and forecasted the possible development trends of the Chinese pharma outsourcing industry in 2010. After one year now, it has turned out that the market development of this Chinese industry has been well in line with our predictions.

Now that the industry has just entered a new year, many organizations and professionals around the world have started wondering again how this Chinese industry will be likely developing in 2011. Prompted by their interest in the Chinese industry as well as our obligation to best meet their demand, we performed a thorough and detailed review again about the development of this Chinese industry in 2010.

This Annual Review, published by JZMed, Inc, a world renowned market research firm specialized in Chinese pharmaceutical and biotechnology industries, will help readers gain a deep and clear insight into what have really happened to the Chinese industry in 2010, figure out a general development trend of the pharma outsourcing industry both in the world and in China, and better understand how the industry will likely move in 2011. In the end of the Review are included the detailed company profiles of ten China-based CROs/CMOs that were mentioned in the report.

The Review is a must-read book to global pharmaceutical and biotechnology companies that are seeking collaboration with Chinese companies, multinational outsourcing service providers that have plans to enter the Chinese market or further expand their current presence in China, venture capital investors interested in the investment opportunities in the Chinese pharmaceutical outsourcing industry, and market research/consultancy companies seeking the information of the Chinese pharma outsourcing industry.

Key Findings of the Report

- ◆ It turned out that 2010 was still a busy year to the Chinese pharmaceutical outsourcing industry.
- ◆ All world major pharmaceutical companies as well as a large number of multinational CROs/CMOs accelerated their investments in China in almost all aspects of their operation. Meanwhile, a large number of biotech companies that focus on either drug R&D or development of diagnostic products also entered the Chinese market. Some of these companies were looking for collaboration opportunities with local Chinese organizations while others were focusing on marketing their products in China.
- ◆ Although these types of activities happened throughout the entire year of 2010, more occurred in the second half of 2010, indicating that this trend will be very likely continued in 2011. To all these multinational companies, a clear sign in 2010 was the high growth of the Chinese pharmaceutical market.
- ◆ Compared with its extremely fast growth history before the financial crisis, the growth of the Chinese pharma outsourcing industry in 2010 was indeed slowed down significantly. However, driven by a series of positive factors, the demand for Chinese outsourcing service was still strong in 2010. Compared with 2009, the Chinese pharma outsourcing industry grew in about 23% in 2010. The current market size of the Chinese industry is valued at about \$2.05 B. It is the first time in the history of the Chinese pharmaceutical outsourcing industry that its market value exceeds \$2 B. At present, the Western drug companies of all sizes are still the main components of the customer pool of all China-based service providers; however, the outsourcing demands by the domestic drug companies are also fast growing.
- ◆ Presently, the Chinese pharma outsourcing industry is composed of about 350 professional service providers. About 80 of them are actually the multinational service companies that have service facilities in China. About 60% of the Chinese professional service providers are still chemistry-focused. However, the number of the Chinese CROs that are able to offer biology-related services has increased significantly, from only about 10% three years ago to now about 40%.
- ◆ Due to a number of negative factors still faced by all world major pharma companies, it is expected that in 2011 most major pharma companies will still reduce their R&D budget, which, to some extent, will result in the low outsourcing demand. However, because of the urgent need to address the issues of low efficiency and productivity in their R&D, the major pharma will also increase their outsourcing proportion in every aspect of their operation in 2011.
- ◆ To those small, R&D-focused biotech companies, only those whose drug candidates possess true novelty will likely get sufficient funding to continue. All others may still

have hard time when raising funding. This will inevitably result in a much fewer number of active drug R&D programs in the pipelines of the entire biotech industry, which again translates to low outsourcing demands industry-wide. However, as most remaining biotech companies now tend to run on a completely virtual operation model, outsourcing demands by these remaining biotech companies will increase. This will partially offset the low outsourcing demand due to the reduction in the number of active R&D programs in the industry.

- ◆ Therefore, the net outcome of the outsourcing demands in 2011 by both small biotech and major pharma companies may remain close to the level of 2010.
- ◆ On the other hand, at present all drug companies have realized the importance of work efficiency and productivity. All want to do more with less – more accomplishments but less spending. It is translated to fewer internal headcounts and lower budgets but same or more accomplishments. To have fewer internal headcounts means to increase outsourcing and/or partnerships with outside companies. To have lower R&D budgets or manufacturing spending means a large portion of the outsourced work will be still off-shored to the low cost regions.
- ◆ Therefore, in the near future offshore outsourcing to low cost regions will still be the mainstream. It is thus expected that the Chinese pharma outsourcing industry will still experience a healthy growth in the near future. We expect that the pharma outsourcing industry in China will likely continue to grow in an approximate rate of 25–28% in 2011, and that China's total pharma outsourcing market will likely reach around \$2.56–2.62 B by the end of 2011.
- ◆ Among all service sectors, it is expected that the demands for local clinical trials and related bio-analytical services will grow most strongly in 2011. It is primarily driven by a large number of foreign companies that are interested in marketing their products in China as they are attracted by the fast growing Chinese pharmaceutical market, but they must conduct clinical trials in local Chinese hospitals with Chinese patients.
- ◆ Many foreign drug companies may also choose to manufacture their trial materials locally rather than shipping them to China trial sites. It is, therefore, expected that the service demands for contract manufacturing on kilogram scale of APIs and drug formulations for those developmental drugs will also be experiencing strong growth in 2011.
- ◆ To all CROs/CMOs in China, the fast rising of the living cost across the entire country will be the key threat to their competitiveness in 2011. Also, as major pharma companies now outsource only to those truly technically capable CROs/CMOs, for those less capable service providers, how to improve their service quality and capability will be another major challenge in 2011.

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 - b. Sanofi-Aventis acquired BMP Sunstone
 - c. Nycomed acquired Guangdong Techpool Bio-Pharma
 - d. Cardinal Health acquired Zuellig Pharma China
- 2.2.2 Major pharma expanding their R&D and manufacturing facilities in China
 - a. Eli Lilly to establish a dedicated diabetes R&D center in Shanghai
 - b. Takeda acquired the remaining stake in its China JV
 - c. Pfizer opened a new R&D center in Wuhan
 - d. Boehringer Ingelheim opened Center of Competence in Shanghai

- e. Roche to increase its China investments and headcounts by 25%
- f. Novo Nordisk to double the size of its Beijing R&D center
- g. Genzyme to jointly establish an R&D center in Tianjin
- h. Merck started construction of pharmaceutical packaging plant in Hangzhou
- i. Merck Serono opened China business division
- j. Sanofi-Aventis opened its expanded R&D center in Shanghai
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 - a. Bayer Schering to conduct joint research on a biodegradable injection drug delivery system with National Pharmaceutical Engineering Research Center
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