



**Insight:** Merging markets within CROs – what changes will we see within the industry?

*#clsinsights*



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# Introduction

## INDUSTRY INSIGHTS WITHIN CRO

In this latest article, Compass Life Sciences consultants analyses the current CRO market, what changes we are currently seeing, and how this is likely to impact the wider Life Sciences industry.

With the fallout of the pandemic, several CRO businesses dropped off by the wayside. Some remained consistent throughout, continuing to deliver great trial service to sponsors. Some however, looked to use the opportunity to expand and provide a bigger portfolio of services and take more of a monopoly on the market.

Faced with the option to either spend resources and significant time to build, or, in a much faster and more efficient move acquire pre-existing businesses or merge. The result saw over 50 major mergers in 2021 with the majority happening within the second half of the year<sup>1</sup>.


<sup>1</sup>Karadima, S., (2022), *CRO consolidation: is the clinical trials industry reaching a tipping point?*, *Clinical Trials Arena*, URL: <https://www.clinicaltrialsarena.com/analysis/cro-consolidation-is-the-clinical-trials-industry-reaching-a-tipping-point/>

# The benefits of merging businesses

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By taking on pre-existing businesses these newly combined companies already have the facilities, resources and staff to begin operating immediately on a larger scale. With a bigger global footprint means they are able to provide more options, secure more work and have better stability.

With drug makers and governments on a drive to back investments in new treatments, which has boosted the demand for CRO services – having bigger reach in terms of technology, ability, patient access and room for a plan B (E.g. a local COVID-19 lockdown shutting down business) is key!<sup>2</sup>



**With a bigger global footprint means they are able to provide more options, secure more work and have better stability.**

<sup>2</sup> Reuters, (2022), *Labcorp to spin off clinical-development business*, Reuters, URL: <https://www.reuters.com/business/healthcare-pharmaceuticals/labcorp-spin-off-clinical-development-business-2022-07-28/>

Some of the major CROs are already getting the ball rolling with breaking apart their offerings into smaller sub-divisions to better meet the needs of the market.

## Turbulence within the industry

News from the front, it appears the Pharma and Biotechs are taking operations in-house to protect their own interests. With even the biggest CROs becoming victims of their own size and success, are less likely to be able to offer niche specialist services. Essentially, you can't beat the price of a major supermarket but the argument to this analogy will be if they are able to produce the same level of quality as the independent bakery in the high street?

The result – more mergers to create wider offerings perhaps? More breakaway businesses and segmentation in the larger organisations? More specialisms brought internally to pharma and biotechs?

These movements are making the sponsor side more appealing to prospective candidates and some CROs unsure how to keep up. Some of the major CROs are already getting the ball rolling with breaking apart their offerings into smaller sub-divisions to better meet the needs of the market.<sup>3</sup>

CROs are confident in their proactive approaches to these potential issues. The estimated value of the CRO market currently sits at \$73.38bn in 2022. Up from \$62.75bn in 2021 and projected to reach \$163.48bn by 2029.<sup>4</sup>

<sup>3</sup>Fortune Business Insights., (2022), At 12.1 % CAGR, CRO Services Market Worth US \$ 163.48 Billion by 2029, Medgadget, URL: <https://www.medgadget.com/2022/11/at-12-1-cagr-cro-services-market-worth-us-163-48-billion-by-2029.html>

<sup>4</sup>Fortune Business Insights, (2022), Market Research Report: Contract Research Organization Market Insights, URL: <https://www.fortunebusinessinsights.com/industry-reports/contract-research-organization-cro-services-market-100864>

## Other key industry trends to watch

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A hot trend being seen recently is how several major organisations are expanding in the South Africa region. Both sponsors and vendors with a focus on mRNA vaccines are boosted by the World Health Organization's ambitious vaccine hub, which is aimed at bridging the gap between the disparity of developed and developing countries. The purpose of this provides knowledge share that will support vaccine production for low-income countries for Covid and potentially convert this technology for use on other diseases.<sup>5</sup>

As well as having a large population for patient studies and with a high number of cases of HIV and Tuberculosis, is South Africa to become a new haven for the Life Sciences industry? This is something we will be watching closely.<sup>6</sup> In other areas of the globe, the war in Ukraine has led to two major countries being out of the research picture with a number of businesses saying they will not operate in Russia and Ukraine being a risky area although a number of businesses, through sheer grit and determination, are looking to begin running trials again in the country, there have been wider supply chain issues.

<sup>5</sup> World Health Organization, (2021), *WHO supporting South African consortium to establish first COVID mRNA vaccine technology transfer hub*, URL: <https://www.who.int/news/item/21-06-2021-who-supporting-south-african-consortium-to-establish-first-covid-mrna-vaccine-technology-transfer-hub>

<sup>6</sup> Green, A., (2022), *Devex, South Africa's mRNA hub confronts old problems and new directions*, URL: <https://www.devex.com/news/south-africa-s-mrna-hub-confronts-old-problems-and-new-directions-104398>

# Conclusion

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## An overview summary and predictions for 2023 onwards

The next few years will be interesting, to say the least! Most organisations in the sector seem to be preparing for the worst and making changes to tackle these head-on through strategic reshuffles and taking steps to produce a leaner workforce.

Just in the UK recently it was announced we are officially in a recession which could go on for some time, something we knew was coming for a while with the cost of living crisis storm gaining more power as it goes along.<sup>7</sup> However, this feels different from the last recession.

Previously there was a reluctance to make a change and a wait-and-see attitude, not the case this time around.

With strong plans to make gains in the scientific space, not just in the UK but with a global footrace to be the next Super Science Powerhouse, it feels more likely that this will be seen as a 'regroup' rather than a downscale in the sector.

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Fortune Business Insights., (2022), At 12.1 % CAGR, CRO Services Market Worth US \$ 163.48 Billion by 2029, Medgadget, URL: <https://www.medgadget.com/2022/11/at-12-1-cagr-cro-services-market-worth-us-163-48-billion-by-2029.html>



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