Outsourcing outpaces internal spending but remains tactical and reactive

Drug sponsors are implementing highly customized and inconsistent practices

- The 10 largest contract research organizations (CROs) today control 57% of the overall outsourcing market, an increase of about 12 percentage points in the last seven years.
- Pharmaceutical and biotechnology company layoffs combined with growing R&D pipelines and the proliferation of smaller companies are driving R&D outsourcing.
- R&D projects managed by CROs typically deliver shorter cycle times despite growing protocol complexity and expanding study scope.
- Drug sponsors are using three or more different outsourcing models simultaneously.
- Oversight of CROs falls largely to project and clinical operations teams, and focuses on mitigating risk and ensuring regulatory compliance.

Contract research services have become an integral component of drug development and represent the single largest category of R&D spending by pharmaceutical and biotechnology companies worldwide — nearly $90 billion in 2018. However, outsourcing practices remain inconsistent and highly customized. This invites inefficiency and unsystematic management practice. Although sponsor companies on occasion experience positive collaborations, they tend to be study-specific and often fail to scale across the development portfolio.

Facing relentless pressure to optimize performance and efficiency—particularly in light of the growing prominence of rare and specialty diseases in drug development—sponsors are relying increasingly on outsourcing. Small CROs continue to see growth in demand for niche contract services, while large CROs are intensifying efforts to differentiate themselves and drive greater operating speed and efficiency by vertically integrating to include investigative sites and study conduct expertise, and by acquiring more sophisticated data assets and analytic capabilities.

This Tufts CSDD Impact Report summarizes the results of several recent Tufts CSDD studies examining the CRO landscape, operating practices, and experience.