

# Unleashing CDMO Growth through Effective Pricing

## Staying Ahead of the Market through Value-Driven Pricing

*In the rapidly evolving industry of contract development and manufacturing organizations (CDMOs), a well-defined pricing strategy is essential to drive growth and profitability. Here's how to achieve it.*

The CDMO market is primed for growth. The emergence of novel modalities, groundbreaking innovations in established therapeutic areas, evolving regulatory landscapes, and increasing demand for personalized medicine offer CDMOs ample opportunities to drive growth.

However, along with opportunities, CDMOs face several commercial challenges, ranging from technological advancements and stringent regulatory requirements to post-merger integration of acquired sites. Another complex issue: pricing projects effectively.

When pricing projects, CDMOs must take various factors into account, including the type of service and customer, project complexity, scope of work, and timeline.

The problem? Many CDMOs rely on a non-transparent and unstructured cost-plus approach, characterized by spending significant time on accurate costing before simply adding a theoretical, one-size-fits-all margin target on top to generate the ultimate price. This black box approach neglects customers' value perceptions and individual requirements, hindering companies to unlock their full growth potential.

The solution? To stay ahead and participate in the expansion of the market, CDMOs need to transition to a structured value-based pricing approach that considers customer value, complexity, and specific needs.

Learn more about how to offer prices that are competitive, profitable, and in line with client demand, unlocking significant growth while upholding



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customer satisfaction and competitive advantage:

### Why an Optimized Pricing Approach Is Essential

Improving their pricing approach is vital for CDMOs to ensure long-term

success in the pharmaceutical and biotech industries. Better pricing drives profitability by capturing full value, increases sales success with customer-perceived value alignment, and improves operational efficiency.

Embracing value-based pricing empowers companies with a competitive advantage and sustainable expansion.



Fig. 1: The pricing strategy should be well documented to guide pricing as well as other commercial decisions.



Fig. 2: A standardized costing methodology with sufficient granularity facilitates consistency across multiple sites.



Fig. 3: Considering different approaches and aspects for the value pricing methodology will enable smart and structured value extraction.

sion in a dynamic market. Here’s how to achieve it in four steps.

### Four Steps toward Value-Based Pricing

**1. Define your pricing strategy.** A clearly formalized pricing strategy is the foundation of effective pricing. Ensuring that all commercial stakeholders share the same vision and strategic ambition is crucial. This strategy should be detailed, encompassing the vision, positioning, and execution, with each statement articulated as an ambition.

The vision may not be fully reflected in operations but serves as a guiding principle. Defining and documenting all

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aspects of the strategy will enhance consistency and direct commercial efforts.

**2. Harmonize your offer and cost structure.** Achieving companywide consistency in offer and cost structure is vital. Similar to the imperative for CDMOs to get a clear offer hierarchy in place, it is equally crucial for them to adopt a standardized costing methodology. This entails aggregating costs into categories across sites and distributing them across work packages and, if possible, even more granular service elements.

Identifying different cost centers, breaking down hours required for projects, and having a shared overview of standard and one-off costs, resources, and customized offerings increases

process efficiency and enables easy comparison and cost forecasting for current and future projects.

**3. Infuse value-based pricing principles.** Shifting from a cost-plus pricing mindset to a value-based approach is essential for CDMOs seeking to maximize profitability. Defining relevant price drivers and using data to determine value-based markups ensures that prices reflect the value provided to clients.

A structured methodology involves categorizing price drivers into molecule factors (e.g., complexity of manufacturing process), client factors (e.g., client segment, urgency of request), and delivery factors (e.g., current capacity utilization). Here, the relevance of price drivers can differ by modality or client size: Assuming a novel modality, for example, a large pharma company places higher value on large installed capacity, while a small biotech focuses more on the ability to address timeline urgency quickly.

By validating price points with historical benchmarks and using objective data (KPIs) to anchor prices to value, CDMOs are able to increase profitability and consistency in pricing.

**4. Utilize value pricing tool support.** CDMOs who really want their developed pricing strategy and methodol-

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ogy to take off need to streamline their pricing processes with a user-friendly and well-integrated pricing tool. This

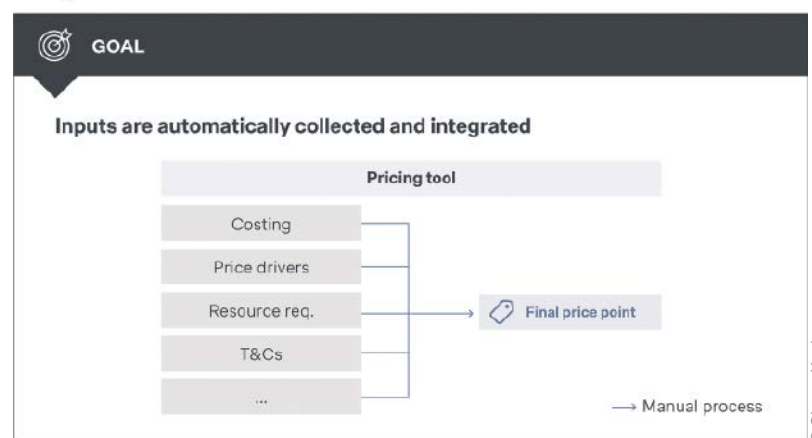
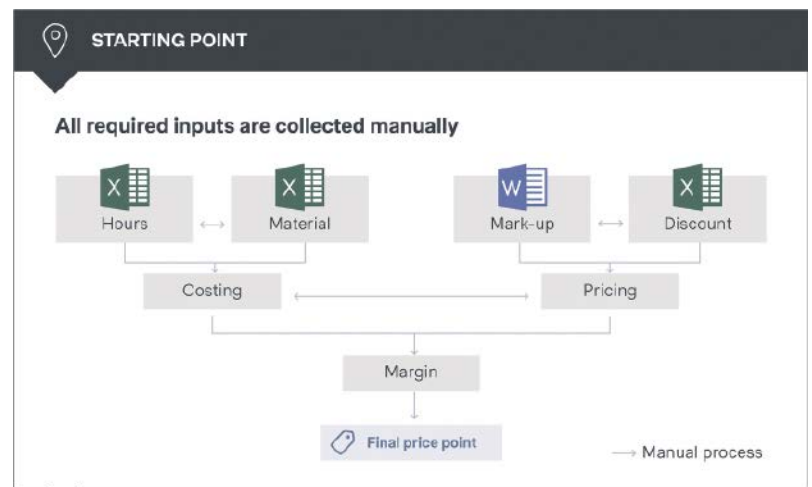


Fig. 4: An easy-to-use and integrated value pricing tool supports and facilitates the entire pricing process.

tool serves not only for setting new project prices but also as a centralized repository to store price opportunities. The integration and documentation of past price decisions can contribute to future price analysis and benchmarking.

*“A well-structured, value-based pricing approach is key for CDMOs seeking sustainable growth in today’s dynamic landscape.”*

Whether opting for a standalone Excel tool, fully automated software, or a hybrid solution – a well-designed pricing tool enhances pricing quality through benchmark comparisons, fosters alignment across stakeholders, and reduces manual work in calculating final prices.

### Navigating the Complexities of Better Pricing Is Key

A well-structured, value-based pricing approach is key for CDMOs seeking

sustainable growth in today’s dynamic landscape. By embracing value-based pricing, adopting customer segmentation, exploring innovative pricing models, and implementing dynamic pricing strategies, CDMOs can keep ahead in the expanding market and unlock the potential for significant growth.

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