Market for technology 2.0? Reassessing the role of complementary assets on licensing decisions

Does renting manufacturing assets through CDMOs let small biotechs launch drugs without big pharma, or does it simply shift bargaining power while the usual giants still capture most profits?

Solon Moreira and colleagues explore why licensing deals in United States biopharma plunged after 2005 even as research spending rose. They spotlight contract development and manufacturing organizations, CDMOs, companies that rent out production lines and clinical support. By converting large fixed costs into pay-as-you-go fees, CDMOs may let small biotechs keep control of their drug candidates rather than licensing them early.

The authors assemble a panel of 787 public drug makers from 1995 to 2015, link each firm to spending at 66 CDMOs, track thousands of licensing agreements from the Recap database, and add interviews with CDMO executives.

The findings are consistent across models. Heavy CDMO users list fewer assets for license and close fewer licensing deals in following years. Industry wide, rising CDMO capital stock aligns with a sixty percent decline in out-licensing and a surge in small company drug approvals. Rented assets appear to let younger firms carry projects to market without yielding ownership.

The data are United States centric and stop in 2015, so newer therapies and global CDMOs need further study. Nevertheless, the work challenges the classic view that owning complementary assets is the key to profiting from innovation. When manufacturing and development can be purchased by the month, advantage may hinge on network building, regulatory skill, and patient reach rather than bricks and mortar.

MAJOR TAKEAWAYS:

- CDMO rental models convert fixed asset costs into pay-as-you-go services, enabling smaller biotechs to retain IP and develop drugs independently.
- Greater CDMO use and investment align with a 60 % drop in licensing deals, boosting small firms' ability to launch drugs.
- Owning production assets no longer guarantees advantage; competitive edge now depends on networks, regulatory expertise, and market reach.

WHO NEEDS TO KNOW:

- Investors
- Regulatory Agencies
- Academics

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