

New research predicts market share for drug makers

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Lagging behind in launching new medicines means a much smaller market share for pharmaceutical companies—even if they spend just as much on advertising, according to new research from Duke University's Fuqua School of Business.

Drug makers know they can lose millions if they're not first to the market with a new drug. Professor David Ridley's work can now tell them how much they stand to lose.

"We're giving them a formula," Ridley said. "You can plug in your own numbers for your delay, for your advertising and your entry order, and that will output your market share."

The research also helps quantify the value of federal vouchers that speed the drug review process. Ridley and his colleagues proposed the voucher system in 2006 and it became law the following year.

Ridley worked with Stephane Regnier on the new findings, "Forecasting Market Share in the U.S. Pharmaceutical Market," newly published in the journal *Nature Reviews Drug Discovery*.

"Pharmaceutical companies have to be able to accurately forecast sales, because they need to meet analysts' expectations," Ridley said. "It's critical to the success of the company that they get this right, but it's hard to do because there are a lot of interrelated moving parts."

Ridley and Regnier studied the entry of 50 different drugs into the market between 1998 and 2009, ensuring they had at least four years of post-release data for each. They looked only at drugs that the U.S. Food and Drug Administration did not consider as representing a significant advance over previous approvals and that French regulators rated as no better than what was already available. This allowed the researchers to attribute any market-share effects to factors other than differences in drug quality.

They analyzed promotional and market share data from private vendors to measure how delays getting to market relative to competitors affects market share.

"We found that even if the second mover spends just as much as the first mover on advertising at a given time, and in fact they do, their peak market share is much lower," Ridley said. "They spend the same as the first mover, but only catch about a third of the market at their peak."

Specifically, Ridley found companies that release a medication two years after the first mover stand to capture a peak market share of about 34 percent with the same promotional spending.

"There's a real first mover advantage because patients with chronic diseases take these medications for a long time and they're not going to switch unless there's a powerful reason to do so," Ridley said. "If you're coming out with a drug that's basically the same, why would patients switch?"

The new research fleshes out one of the advantages of the federal priority review voucher system that Ridley helped create. Companies that successfully develop a treatment for a neglected tropical disease are awarded a voucher for expedited review of another drug. Those companies typically sell the voucher, using the proceeds to fund further research. The buyer gets to use the voucher to cut the review time for a profitable drug from the standard 10 months to about six months, which can make a difference amounting to millions of dollars.

"You're going to get a bump on your peak market share of a couple percent with your voucher," Ridley said.

The most recent of the five vouchers issued so far sold for \$350 million in August. Ridley said they offer a three-fold advantage.

"First, you're making your sales earlier so you're getting a dollar today rather than a dollar tomorrow," he said. "Second, you might have a longer time on the market before generics arrive because you're arriving

sooner. Third, you're grabbing [market share](#) from your competitor, because there are fewer patients locked into your competitor's [drug](#)."

More information: "Market watch: Forecasting market share in the US pharmaceutical market." *Nature Reviews Drug Discovery* 14, 594–595 (2015) [DOI: 10.1038/nrd4697](https://doi.org/10.1038/nrd4697)

Provided by Duke University

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