A decade of change

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Abstract

*Total market capitalization of the top ten firms in 2011 was $1,110 billion, down from $1,240 billion in 2001. The past decade has been a period of turbulence and change for the pharmaceutical industry. To maintain income despite underperforming research and development (R&D) portfolios, rounds of mergers and acquisitions have occurred such that only 11 of 42 members of PhRMA existing in 1988 now survive1. One consequence of all this change has been a reordering of the top ten pharmaceutical companies as ranked by market capitalization, although eight of the top ten companies in 2001 were still in the top ten in 2011 (TABLE 1). The total market cap of the ten companies was lower in 2011 than it was in 2001, despite a cumulative inflation of >25% over the 10 years. Although mergers have not generally created an increase in value, they have reduced the impact of patent expiry, enriched weak pipelines and provided operational savings. While total market cap has fallen, the annual sales of the top ten drugs have almost doubled over the decade (TABLE 2). The number of biologics in the top ten has risen — a trend that is predicted to continue, such that in 4 years time the top ten list is expected to be dominated by biologics2. The number of blockbuster drugs launched each year has remained relatively constant — at about 6.5 per annum — but their average value has fallen. In 2001, R&D groups across the industry were rewarded for putting drug candidates into development or for moving them into the next stage of development; consequently, R&D pipelines grew in the early years of the past decade (FIG. 1); data for FIGS 1–4 are compiled from 14 companies — 6 major, 8 mid and other. However, the outcome was a rise in attrition levels a few years later, such that the chance of successful market launch for a drug entering Phase I trials fell from approximately 10% in 2002 to 5% at last estimate (FIG. 2). The weakest link in the chain was, and still is, in Phase II, where around 50% of failures are typically due to efficacy, 30% are due to strategic reasons and 20% are due to safety concerns3. These stark data — along with continued financial strain — resulted in the dramatic paring back of the pipeline volumes from 2008 onwards. Companies started to focus on fewer candidates that they deemed most scientifically robust, moved away 'Demi Lune sofa' from The Sofa and Chair Company, London: www.thesofaandchair.co.uk N E W S & A N A LY S I S

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