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Pharma's first-to-market advantage

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What's the value of bringing a drug to market first? In some cases, it may be less than you think.

There has been a long-running debate in the pharmaceutical industry about the value of being first to market. Companies spend considerable resources seeking to increase the odds of beating their competitors to market and often fret about the commercial disadvantage of being late. In the high-stakes race to market for a novel drug class, companies firmly believe that every month of lead time ahead of a competitor is significant.

It's not quite that simple. Our analysis of pharma launches confirms a weak first-to-market advantage on average, but with significant nuances dependent on market context. In many instances, the first-mover advantage actually vanishes, particularly when the lead time is short or when the first mover is a small company. This article seeks to identify those situations where first-to-market advantage is strong and those where it does not hold.

Advantages of being first







To evaluate the value of first-to-market advantage, we analyzed 492 drug launches in 131 classes over a 27-year period (1986–2012). We filtered for those drugs that generated more than \$100 million in annual sales and had one or more competitors during its patented life. Then, to assess the impact of order of entry on a class, we analyzed market share (measured by sales) for each entrant in the tenth year after the launch of the first drug.

Our analysis shows that first-in-class players on average achieve a greater-than-fair market share, defined as 100 percent market share divided by number of entrants (Exhibit 1). Overall, first-to-market players have a 6 percent market-share advantage over later entrants (Exhibit 2), but they achieve market-share leadership in less than 50 percent of the drug classes we evaluated. The relative disadvantage of later entries (up to the fifth entrant) is also roughly the same, meaning it is not meaningfully worse to be fifth than second to market. Yet first-to-market advantage is highly dependent on several market contexts (Exhibit 3):

- **Prescriber characteristics.** First-mover advantage is more pronounced in specialty areas with small numbers of prescribers and patients. In primary care, the first-mover effect is weaker, as

Exhibit 1 First entrants on average achieve higher market share ten years after launch.

Average market share (measured by sales), 10 years after first launch in class,¹ %

Order of entry		Number of drugs
1st to market	 40	131
2nd to market	 33	131
3rd to market	 19	84
4th to market	 13	52
5th to market	 8	31
6th to market and beyond	 2	63

¹Based on analysis of 492 drug launches in 131 classes over a 27-year period (1986–2012).

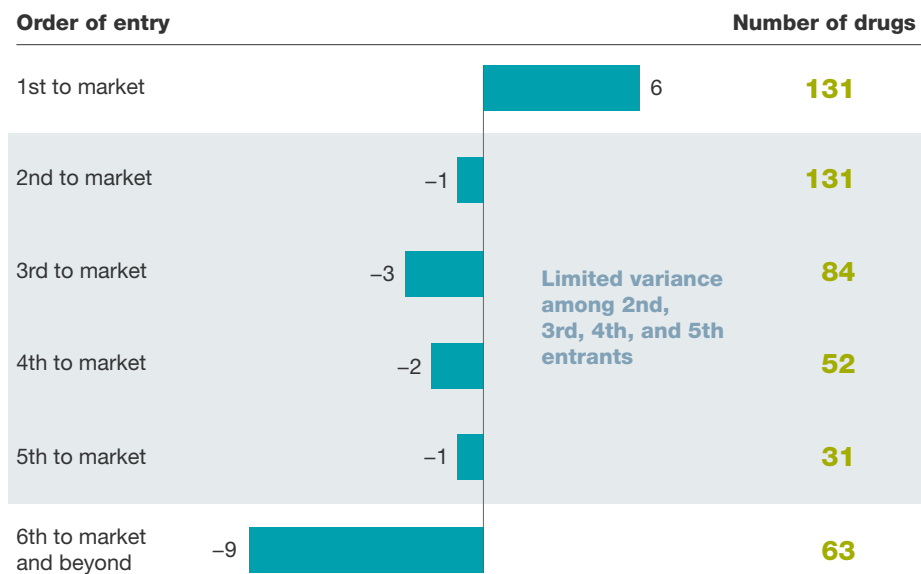
Source: EvaluatePharma

the market opportunity and coverage requirements can be significantly larger, which provides an opening for later entrants to claim market positions.

- *Route of administration.* Injectable drugs have stronger first-mover effects than oral preparations, which is consistent with the specialty/primary-care dynamic described above.
- *Competitive dynamics.* In two-horse races, the first mover generally garners greater advantage than the late entrant. In more crowded markets with more than five players, however, we find the first-mover advantage is much weaker, as more late entrants have opportunity to take share from the first player.
- *Capabilities.* When the first mover is a large pharma company, it has a significant advantage (worth greater than ten market-share points); when the first mover is not a large pharma company, we find that the first mover performs worse than fair share of the market. Furthermore,

Exhibit 2 The market share of first entrants is an average of six percentage points higher ten years after launch.

Average market-share advantage or disadvantage, 10 years after first launch in class,¹ percentage points



¹Based on analysis of 492 drug launches in 131 classes over a 27-year period (1986–2012).

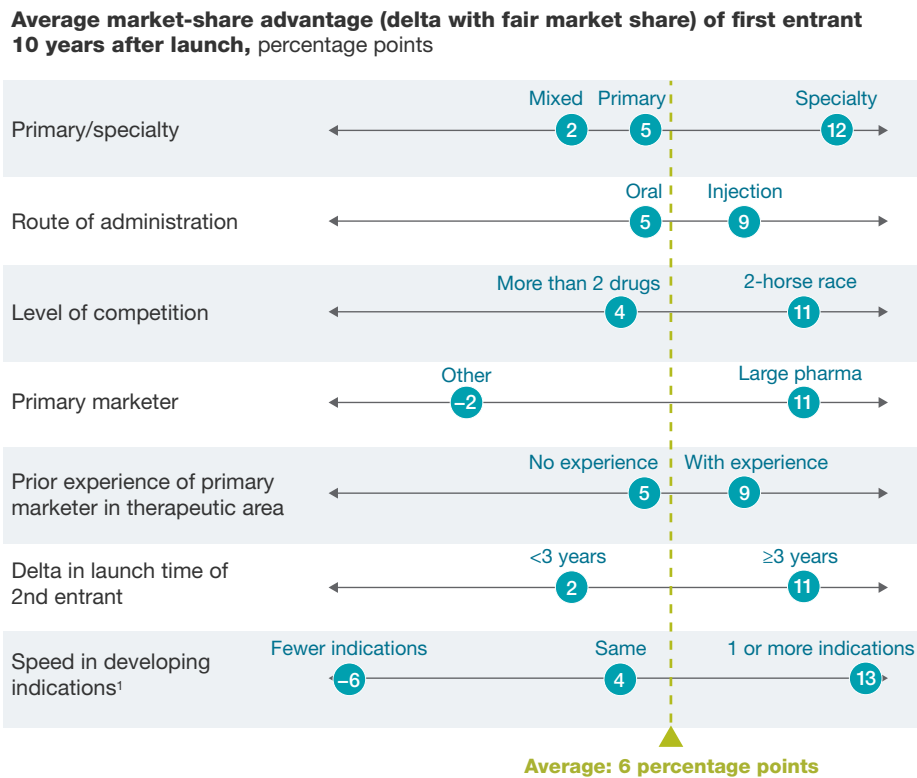
Source: EvaluatePharma

experience matters. Companies with prior experience in a therapeutic area have almost twice the first-to-market advantage than companies with no experience.

- **Lead time.** The longer a first-in-class drug has to establish a standard of care, the greater the market-share advantage. We find that a lead time of three years or more offers a fairly sizable advantage; a gap between first and second entrant of one year or less is meaningless.
- **Product label.** When the first mover expands indications faster than later entrants within the first five years of launch, the first-mover effect is strongest across all dimensions we evaluated—13 percentage points above fair market share.

Despite these circumstances, it is important to note that late movers win in more than 50 percent of the drug classes we evaluated. And we find that the odds are greatly improved for late entrants

Exhibit 3 The degree of first-mover advantage varies in different situations.



¹Delta in number of indications between 1st and 2nd entrant 5 years after first launch in class.

Source: EvaluatePharma

when they are second entrants to the market, fast followers (launched within the same year or one year after the first entrant), and marketed by a large pharma company.



With novel drug targets becoming more competitive, order of entry has become an increasingly important consideration for clinical-development decisions and commercial resourcing. While we recognize that the market context is evolving, we believe that our analysis offers several lessons.

First, the value of being first should not be overestimated, particularly when the lead time is short (less than two years) and a market is expected to be crowded with more than two players. Second,

while first-mover advantage can be difficult to surmount when it comes to well-resourced and experienced players with long lead times, being first isn't always as important as being best. That means that clinical development and commercial strategy can be just as important as the timing of the initial regulatory approval in determining market advantage.

Third, smaller companies that lack experience and scale should seriously consider partnering with large pharma companies. And finally, with increasing hurdles to commercializing “me too” drugs, these first-mover effects have intensified. The first-mover advantage in earlier-era launches (1986–2000) was five percentage points in market share; in more recent launches (2000 onward), that advantage has doubled to ten percentage points. Yet even in the more recent era, more than 40 percent of winners are late entrants.

In summary, first-mover advantage can be formidable in the right circumstances. But it's not insurmountable. Later entrants can maximize their chances by keeping pace with the leader and establishing meaningful differentiation. □

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