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Top pharma cos' R&D returns continue to slide: Deloitte

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While the Research and Development (R&D) divisions of 12 leading pharmaceutical companies have progressed 306 assets into late-stage pipelines since 2010, with projected lifetime returns of over $1.41 trillion, these returns are continuing to decline in percentage terms, according to a study produced by Deloitte in collaboration with research and consulting firm GlobalData.

This study, published by the Deloitte Centre for Health Solutions, states that the original cohort has launched 186 products since 2010, with a projected lifetime value of just under $1.26 trillion.

However, the collective R&D returns for this cohort have declined markedly, from 10.1% in 2010 to just 4.2% in 2015, while the average cost of asset development has risen by a third.

The study focuses on a longer-term view of R&D returns, as this reduces the volatility of static measures, which can be skewed by particularly high or low revenue expectations.

As assets can take approximately 15 years to progress from discovery to launch, and revenue forecasts can change substantially as they progress through late-stage development, a longer-term view provides a more robust analysis of an organization's likely R&D returns.

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This year, the group of companies analyzed has been extended to include four mid- to large-cap companies, so that greater insight can be derived from the R&D returns analyses, particularly around identifying company characteristics that lead to high performance.

Mr Jim Coutcher, GlobalData's Global Head of Healthcare, says that across the 16 companies included in the report, there has been an increasing focus on specialized therapeutics.

He comments: "The pharmaceutical industry's R&D focus has been shifting towards specialty therapy areas, given the high levels of patient unmet need and the identification of discrete patient populations.

"However, the study in collaboration with Deloitte shows an increased degree of specialization within primary care therapy areas, as companies are looking to new types of therapies, mechanisms of action and patient segments as untapped opportunities to deliver value."

Dr Sean Hu, GlobalData's Vice President & Head of Consulting in the US for Pharmaceutical and Diagnostics Industries, and the senior leader of the GlobalData team responsible for this joint study with Deloitte, adds: "This annual report is the second of a multi-year series to be produced by the collaborative effort of Deloitte and GlobalData.

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"The successful delivery of this report required extensive analysis of a high volume of data, and leveraged GlobalData's industry-leading proprietary databases and drug-related analytical capabilities.

"This study not only depicts industry level trends among leading pharma and biotech companies in terms of R&D productivity, but also sheds light on differences across those companies and points to potential directions for R&D productivity enhancement."