R&D Expense per New Drug Developed

Benchmarks, Definition & Measurement Details
R&D Expense per New Drug Developed

Definition & Measurement Details

What is R&D Expense per New Drug Developed?
The total expense incurred by a Pharmaceutical company's Research & Development (R&D) Department divided by the number of new drugs developed over the same period of time. R&D expense includes labor, investments, etc.

Why should this KPI be measured?
Research & Development (R&D) Expense per New Drug Developed measures the average R&D expense for each new drug developed by the pharmaceutical company over the same period of time. High R&D costs can demonstrate inefficient practices within R&D operations (i.e., employee productivity), costs associated with drugs that never make it to the marketplace (i.e., drugs that fail during clinical trials and are thus never sold) or an overstaffing of the R&D function (i.e., analysts, researchers, etc.). Since pharmaceutical R&D expenses are invariably linked to how much the drug costs in the marketplace, exorbitant R&D expenses can drive up the prices of new drugs making them that much more difficult to sell to customers. Such unmanageable prices can therefore expose the company to reputational and financial risks born from not being able to pay off its liabilities on time and high degrees of customer dissatisfaction.

How is this KPI calculated?
Two values are used to calculate this KPI: (1) the total expense incurred by a pharmaceutical company's Research & Development (R&D) function, and (2) the number of new drugs developed by the company over the same period of time. New drugs are defined as drugs that are completely developed (i.e., drugs that have passed all clinical trials and have been approved by the FDA) and are currently being sold in the marketplace. R&D expenses can include labor, benefits, occupancy and technology costs. Only include costs associated with completely developed drugs (i.e., do not include costs associated with drugs that are killed during any point of the development process) in the denominator.

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Benchmarks & Characteristics of High Performers

How to read this chart: This chart summarizes the performance gaps between high (Top 5%), mid (Median) and low (Bottom 5%) performers for this Key Performance Indicator (KPI). For example, the column labeled “Top 5%” represents a company that outperformed 95% of the peer group observed for this metric.

Characteristics of High Performers

- KPIs are well-defined, tracked and tied to performance reviews
- Robust self-service options for customer (online FAQs, etc.)
- Agents cross-trained to handle and resolve multiple call types
- KPIs are well-defined, tracked and tied to agent performance reviews

Sample Size: XX
KPI Type: XX
Unit: XX
Is High or Low Best?: XX

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