

Can the concentration and number of incumbent companies help in understanding submarket entry? An application in the US pharmaceutical industry

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Abstract ID: 109

Inviato: 15/04/2022

Evento: XX Workshop Annuale SIEPI

Argomento: 4. Politiche industriali, dei settori e dell'innovazione: avanzamenti teorici, analisi empiriche, valutazione

Parole chiave: CF, MIS, pharmaceuticals, probit, product launches, submarket concentration

Inserisci l'Abstract (max 200 parole).

No single 'scalar' measure captures a full description of the distribution of the size of firms in a market. Instead, several alternative measures for the distribution description are often used. According to this view, a joint analysis on the role of the concentration and number of competing firms can be a valid instrument for understanding the decisions of international companies to launch new products into specific submarkets. The case study described in this paper, carried out on US pharmaceutical submarkets between 1987-1998 through a Multiple Indicator Solution (MIS) method, to control for endogeneity, shows that entry probability is very low when both the number of firms and the Herfindahl index are high, i.e., when the distribution of firm size in each submarket is skewed.