

Making more profit soon after launch

Generics companies are losing out because they have little idea of what price to charge their customers during and soon after launch, according to Charles Joynson, managing director of WaveData. Achieving first-to-market status is only part of the battle, he adds, because the entry price at launch is critical to grasping a market advantage, gaining share and making a profit.

Joynson has been investigating price variations – offered by generics suppliers to independent pharmacists and dispensing doctors – across the 24 molecules in 40 presentations that currently make up the ‘fast movers’ in our regular monthly Price Watch column. These include products like amlodipine, lisinopril, omeprazole and simvastatin.

“During the first nine months after launch,” he comments, “manufacturers seem to have enormous difficulty in setting their prices. Far from acting in concert, generics suppliers are clearly struggling to respond appropriately to what is going on around them.”

The price variations are so large, he adds, that the variability is sometimes more significant than the price declines on generic entry. “Up to two months before generic launch, prices begin to spread across an extremely wide range, and this broad range persists for many months after market entry,” Joynson maintains.

The price variability, however, is not linked to the growing number of suppliers competing in the UK market in recent years. Although the number of suppliers – those offering prices to pharmacists and

doctors – more than doubled between 2000 and 2007, said WaveData, product-price variability among the basket of ‘fast-movers’ remained about the same, showing it was independent of supplier numbers.

However, when WaveData looked at price variations in the period just before, during and after generic launch, the range of prices spread markedly and remained just as wide for months afterwards. Indeed, the highest spread occurred after nine months, when the standard deviation from the mean price was a factor of three more than the price spread six months before generic launch (see Figure 1).

WaveData used standard deviations to measure the spread of prices about the average price for the product basket each month. Generic launch dates were superimposed on the same point zero to overcome phasing issues, extending the horizontal axis of the graph to about 12 years in total.

“We used standard deviation as the best model of price variability,” Joynson explains. “It seems the amount of price variability decreases with time after the launch of the original brand, until the point of generic launch, when the amount of price variability increases dramatically.”

Parallel imports and what is known as ‘brand equalisation’ – special offers by brand originators to compete with parallel imports – are responsible for the price variability in the early days, according to Joynson, who notes that this settles down over time. Just before generic launch, however, pricing uncertainty in the market rapidly increases and continues for almost the next year, much longer than Joynson says he would have expected.

Price ‘bounces’ – suppliers withdrawing when prices fall below their cost of goods before entering the market again when prices rise – will also be a factor, he adds. “Getting your prices right is obviously much harder in the months immediately after generic launch,” Joynson observes, noting that generics suppliers eventually “get their act together”, with the variability in prices falling to a standard deviation less than six-times lower than the peak value.

“Whatever generics suppliers are using to model their prices obviously cannot cope with the myriad factors surrounding a launch, but proves more successful when the products have become more established,” Joynson comments, noting that WaveData is planning to launch a database called the British Pharmaceutical Pricing Index. **G**

PRICE WATCH UK highlights generics price changes in the UK market and appears exclusively in every issue of **Generics bulletin**, courtesy of the Pharma TouchStone service of WaveData.

WaveData collects and collates pricing information from a number of European countries. In the UK, pricing information about generics, brands and parallel imports is gathered from offers made to independent retail pharmacists and dispensing doctors by wholesalers, suppliers and product manufacturers. WaveData collates this data and publishes the results giving customers fast, accurate, real-time access to current generic prices. WaveData’s Profesy price-forecasting tool can be found at www.wavedata.biz.

■ **For further information** see www.wavedata.net or contact Charles Joynson, WaveData Limited, Concorde House, Comet Way, Eastwood, Essex SS2 6GD, UK Tel: +44 (0)1702 425125; Fax +44(0)1702 425129; E-mail cjoynson@wavedata.co.uk. Website: www.wavedata.co.uk.

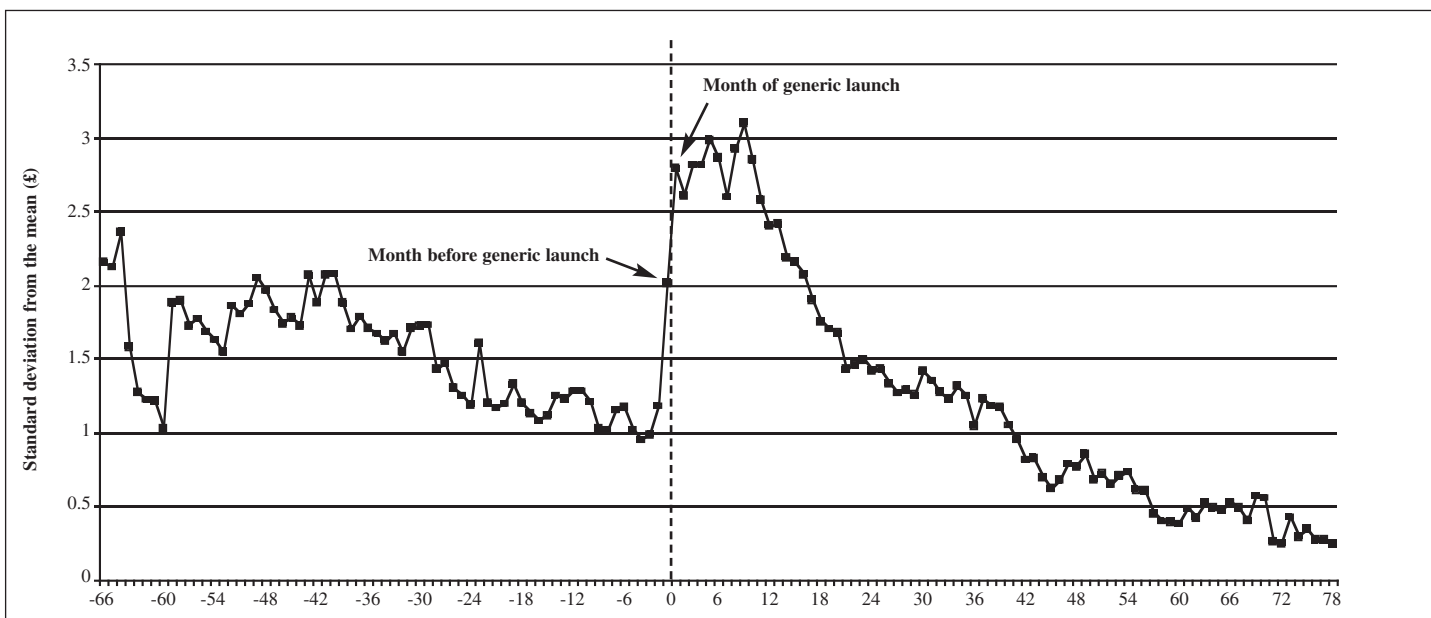


Figure 1: Spread of prices available to pharmacists and doctors each month for a product basket of ‘fast movers’ in the periods before, during and after the products’ generic launches as measured by standard deviation from the mean price in £ sterling (Source – WaveData)