

UK has narrowing number of competitors

Competition in the highly-competitive UK market may be as fierce as ever, but the number of players appears to be narrowing. The average number of competing firms on a month-to-month basis seems to be shrinking when taking the UK generics market as a whole, according to research carried out by WaveData.

Furthermore, average prices of 'similar' products – those that are subject to comparable market conditions – being paid by independent pharmacists and dispensing doctors are lower for newer generics than for older products, regardless of differences in market conditions.

Comparing the way that generics prices decay after patent expiry in recent times and in the past, WaveData separated generics launches into two groups: those that took place in the period 2002 to 2004, when multiple players fought for market dominance from launch, and those that occurred in the period 2008-2011. These groups were then further subdivided into those generics for which there was high competition – measured by the volume of price offers being made in the marketplace – and those for which the rivalry was less intense.

Charles Joynson, WaveData's managing director, points out that the intervening period between 2004 and 2008 saw the introduction of category M of the Drug Tariff of pharmacy reimbursement prices. For the first time, the prices paid to pharmacists for dispensing generics were directly related to the actual prices of the products in the marketplace, albeit with an added dispensing margin and based on prices in the previous quarter.

Joynson also maintains that the period is notable for Teva's US\$7.4 billion acquisition of Ivax in January 2006, which in the words of Teva's Israel Makov – the firm's then president and chief executive officer – "enhanced" Teva's leading position in the UK. Other deals since that time, Joynson says, have cemented Teva's rise to UK market dominance.

Reduction in average number of firms

This, when taken with other industry consolidation, he maintains, has brought about a gradual reduction in the average number of manufacturers that market each generic in the UK (see Figure 1). Back in 2002, the average number of manufacturers that were actively marketing each generic in the marketplace under their own brand was between three and four, Joynson observes. However, the figure today has dipped well below three.

Certainly, there were many more than that to launch lansoprazole in December 2005, for example, but the average includes many older products and those with perhaps just one supplier. This average figure was derived by taking the total number of generics available in the marketplace in the month in question and dividing this by the number of active manufacturers for which price offers had been made in their names during the period.

Moving on to the products themselves, Joynson notes that in the case of both the high- and low-competition groups, the passage of time and market changes have depressed the average prices being paid by independent pharmacists and dispensing doctors.

As can be seen in Figure 2, the older carvedilol product was launched at about 70% of the Tariff price, which would have been the trade price of the equivalent brand; while bicalutamide was launched more recently at less than 30% of the equivalent brand's trade price. This discrepancy continued for the three-year period after launch with carvedilol still fetching about 10% on average of the equivalent brand price at launch, but bicalutamide available at an average price offering a 98% discount.

The same pattern is apparent in Figure 3. Topiramate's average price has remained lower than quinapril's at the same time after launch, relative to those of their brand equivalents. "This trend means smaller profits for generic manufacturers," comments Joynson, "despite the gradual reduction in the average number of generics manufacturers launching their own versions of each product."

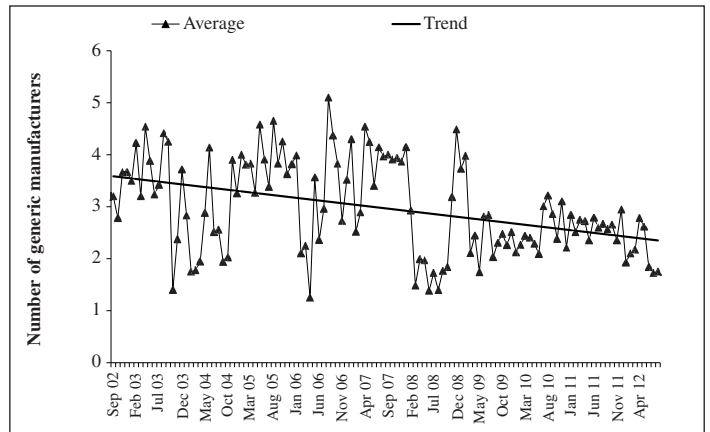


Figure 1: Market average of the number of manufacturers marketing individual generic products under their own name to independent pharmacists and dispensing doctors. The averages have been calculated monthly (Source – WaveData)

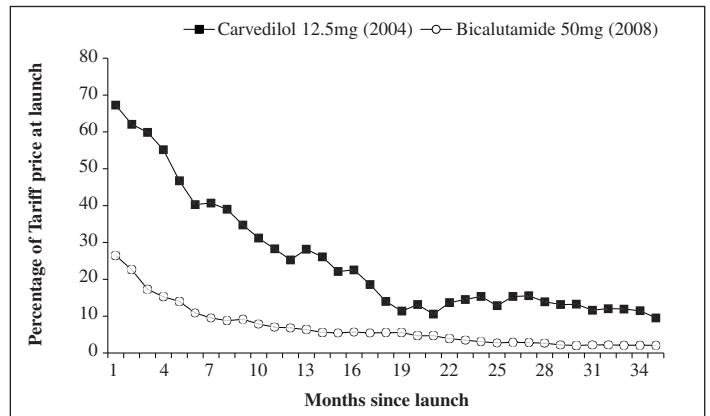


Figure 2: Price decay from launch of two representative products – carvedilol and bicalutamide – introduced in the periods 2002-2004 and 2008-2011 for which there was high competition in the UK marketplace (Source – WaveData)

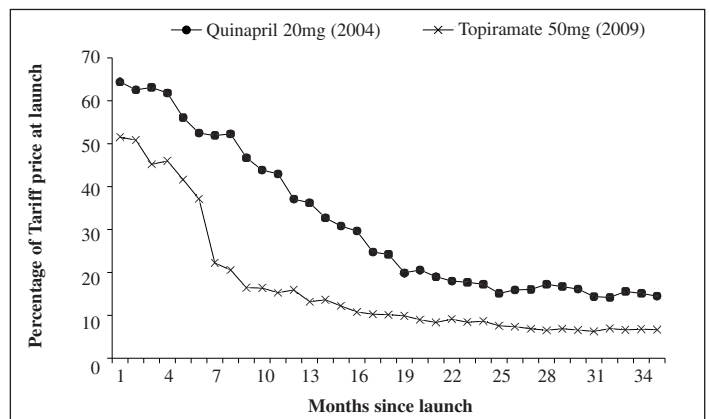


Figure 3: Price decay from launch of two representative products – quinapril and topiramate – introduced in the periods 2002-2004 and 2008-2011 for which there was low competition in the UK marketplace (Source – WaveData)

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