

a therapeutic area, or health economics group. Or it may be linked directly to a board member. On average, the pricing function is clearly more centralized than other functions in the company, and there is a clear trend towards further centralization. In contrast, the degree of centralization of the overall organizational structure varies greatly across companies, with no clear trend in either direction apparent.

This same research study shows that companies are actively trying to tackle pricing issues. In the last 2 years, about XX% of pharmaceutical companies changed their pricing functions. Still, many companies are painstakingly aware that there remains considerable room for improvement in both their pricing organization and their pricing process. These two components cannot be viewed separately: the best-planned structure is useless if no corresponding process is implemented, and vice-versa. Therefore, companies are struggling with the question of how best to organize the pricing function and integrate it into the company organization. In fact, they realize that having an efficient and effective pricing function provides huge benefits not only to the individual company directly by affecting the bottom line, but also to the industry as a whole. Irresponsible price moves or even the start of a price war by not very experienced pricers have had dramatic impacts on the profitability of more than one industry.

PRICING AND PHARMACOECONOMICS

There is a strong awareness of the increasing importance of the role of health economics in pricing, and companies have started to adapt to these demands. The clear need for early and more formalized cooperation between health-economic and pricing experts leads to the assertion that a health economics department should be either part of international marketing or, if part of R&D, linked more formally to marketing. Otherwise, communication and cooperation are perceived as too cumbersome and unfruitful. Approximately XX% of companies have individual health economic units for their key affiliates. Generally, there is a larger autonomy of affiliates to define their own health-economic studies than for deciding on pricing research. Health-economic studies are traditionally used mainly for negotiations with health authorities or payors, and less often for the actual development of a pricing strategy.

Table 3
Parallel Imports in Key European Countries
(Denmark, France, Germany, Italy, Netherlands, Spain, Sweden,
United Kingdom)
2000-2002

	2000	2001	2002

Source: European Federation of Pharmaceutical Industries and Association

Direct Savings Generated by Parallel Imports

According to the European Parallel Traders' Association, the EAEPC, parallel trade in pharmaceuticals results in substantial direct savings for European health insurers and patients, as well as indirect savings through price competition.

Parallel Trade Legislation

EU policy encourages the free movement of goods within the EU (Treaty of Rome). The EU operates the European Medical Evaluation Agency (EMA) that deals with the centralized approval procedure for drug approvals in the EU. Moreover, there is also a directive aimed at companies getting better prices in countries in which they have local investment in R&D.

Parallel Distribution

For the products approved centrally by EMA, there is no legal boundary to entering EU market. Products from lower priced country can freely enter the country with a higher price. This has resulted in massive proliferation of parallel trade. The minimum price difference required for a product to be profitable in any country for parallel trade or distribution is XX%. The usual import countries are the U.K.,