



Price advantage of pioneer prescription drugsClaudia Cardoso¹¹ CICEF, Instituto Politécnico do Cávado e do Ave, Barcelos, PORTUGAL

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Objectivos (Objectives): Within pharmaceutical markets, pioneer products are usually protected by patents for time after introduction, during which the consumers (and doctors) experienced the drug. After the introduction of a substitute, they could be reluctant to switch because of uncertainty of trial. We intend to examine if pioneer price advantage exists, for prescription drugs, and to find explanations for it.

Metodologia (Methodology): We study a sample of prescription drugs of the Portuguese pharmaceutical market. The drugs are grouped by their chemical composition. We analyse the price differences between the pioneer and the second-follower of each group. Our model includes the length of monopoly and a set of variables in order to control for drug, group, and market characteristics.

Resultados (Results): We find that monopoly length is important to explain the existence of price advantage, as expected. However, the effect of pioneer advantage weakens with time. The existence of a larger proportion of generics within the product group has a negative effect on pioneer price advantage.

Conclusões (Conclusions): There is evidence that pioneer price advantage exists for prescription drugs. Since, for prescribing drugs, the doctor is the key demand decider, this result shows that doctors have brand loyalty. The results are important to explain the maintenance of large market share for high priced drugs, even in the presence of cheaper competitors. Brand loyalty for prescription drugs, whatever the causes for it, must not be ignored by regulators.