



conferência nacional de economia da saúde

Lisboa de 13 a 15 de Outubro, 2011

Fundação Calouste Gulbenkian

<http://12cnes.apes.pt>

The effect of media exposure on expansion of generics' market

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Objectivos (Objectives): The Portuguese generics market has had a slow start since the early 2000s. The introduction of generics drugs was followed by a wave of uncertainty by the society in general, who kept on distinguishing between branded and non-branded medicine, placing more trust on the former. Consumer perception of the quality of generics may, naturally, produce an effect on the market for these pharmaceuticals. In this paper we study the impact of two factors that should change the perception of the consumer regarding generic pharmaceuticals: media news and advertising campaigns. The former may have an ambiguous impact as news that are released may be due either to positive or negative reasons. The latter is expected to have a positive impact, since they aim specifically at increasing the value these drugs have to the consumer.

Metodologia (Methodology): We estimate a diffusion curve using logistic regression in which the number of news is included in the diffusion rate. We use the number of news from several sources (radio, TV and press) defined as the sum of the last two months in order to allow for a period of one month in which people "forget" previous news. In a second stage, we assess its impact by splitting the nature of the news in two. On one hand, part of the news reflects general events about generic pharmaceuticals that are able to change consumers' perception about generics. On the other hand, some of news reflect new policy measures, which have a direct impact on the market instead of changing the consumer perception. In order to screen out these types of news, we search for outliers in the number of news related to policy measures and use dummy variables to remove their effect. Then, we use the residuals to estimate the impact of the remaining news. The impact of advertising campaigns is assessed using the same method, but allowing not only the diffusion rate to vary, but also the upper asymptote, which represents the maximum dimension of the market.

Resultados (Results): Our results found no clear evidence of an impact of media news on the generics market. Regarding advertising campaigns, they do seem to impact the diffusion rate of the market defined in terms of value, in a negative way. In terms of the market defined in volume, no real evidence of some effect was found. Concerning the impact on the maximum dimension of the market, we found mixed results.

Conclusões (Conclusions): Consumers do not seem to react to news that are released by the media, at least to those that do not reflect policy measures. Moreover, the fact that advertising campaigns have a negative impact in the generics market in terms of value, while having no impact in terms of volume, suggests that consumers react to these campaigns by replacing more expensive generics for cheaper ones, instead of replacing branded drugs for generics.