Thriving Amidst Complexity: the Dynamics Within the Market of Parallel Imports of Pharmaceuticals in Sweden

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Oscar Privileggio Cederhed

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Approximately 8% of all prescribed pharmaceutical products sold in Sweden are parallels, and this product group plays a vital role for Swedish pharmacies as it increases the trade margins (Kanavos et al., 2005). Still, not many know about this important industry – and even fewer fully understand its business dynamics.

Background
The pharmaceutical industry has an important role in providing patients with high quality medicinal products. To assure a high quality, extensive regulations concerning all aspects of the supply chain are in place on both national- and EU-level. This creates a complex business environment where the constraining and directing forces from regulations highly affect the operational possibilities on the market. These forces must be considered to fully understand and describe the industry (Ali & Baboota, 2021).

The study
The purpose of the study is to concetise, summarise and compile industry insights to better understand the market dynamics. Interviews of qualified industry professionals create the fundament for the empirics, which is analysed with an exploratory research ambition through an abductive process. For this, *Hill's model*, which is originally created for manufacturing operations strategy, is adjusted and interpreted in a way so that the regulatory complexity can be included in the analysis (Hill & Hill, 2009).

Concept of parallel import
Parallel import (PI) is the legal importation of products, in this case pharmaceuticals, conducted without approval from the trademark proprietor. Under the scope of the research, the importer sources a pharmaceutical in another EU country, repackages it for the Swedish market and sells it to a pharmacy. This is allowed for both patented and unpatented pharmaceuticals, so-called generics.

Results
To summarise the results, regulations affect all aspects of operations. Just as customers have preferences on regular market places, the regulations in this market can be seen as a way for the customers to express and explicitly define the market preferences. This

perspective allows us to explain how the market is driven through regulations with preserved meaning for concepts such as perceived value, order winners (OW) and qualifiers (Q). *Figure 1* provides an overview of the market dynamics and main subjects of analysis in the thesis.

The findings result in insights into unique forces where the competitors have the ability to also impact the importer through binary qualifiers, rather than only through order winners. This perspective can also be used to explain incentives for price adjustments in the parallel substitution systems for patented pharmaceuticals within the Swedish benefits scheme. These insights can be useful for understanding how the multifaceted network of regulations relate to each other and affect the industry.

The results of the research highlight the importance of focusing the operations towards a specific segment of PI, as the rulings create a business environment with various OW and Q for different segments. The market preferences can, for example, be depending on factors such as phase in the life cycle, demand uncertainties or European supply.

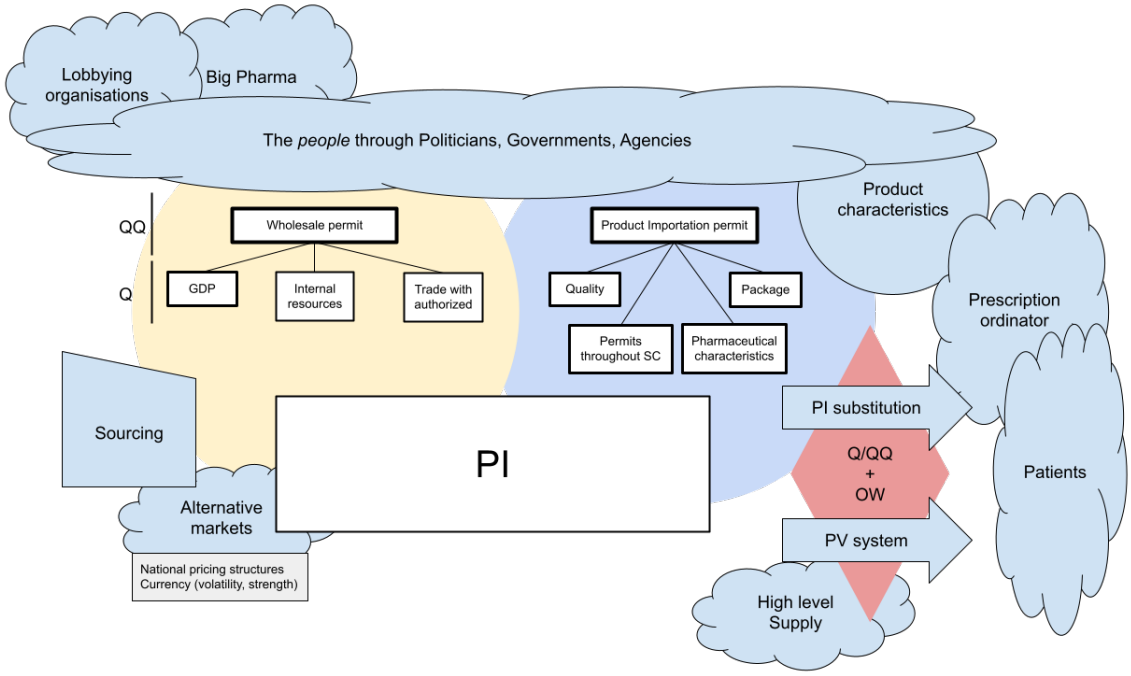

Figure 1: Overview of market drivers

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