

A product that does the job that modern drugs often do, affords under any comparative value approach, a most unusual temptation for the pricer to set his figure much higher than might otherwise be the case. Classic theories of price established to get a share of a competitive market are applicable only to a very slight degree. In fact, it often might be said that each drug product can be established in its own market by skillful promotion and exploitation of its own particular virtues. Not only has the pharmaceutical industry been successful in maintaining the conviction with many physicians and buyers that not all drugs are alike, but it has even succeeded in persuading them that all products are different, which is a much more effective argument from a sales point of view. Leaving aside at this point the validity of this claim, the mere fact that it has been frequently and effectively established, and continues to be, even under the conditions of current controversy and attack, gives the pricer a unique opportunity to set his figure without relation to any factor except what he believes the market can bear. He, of course, will take into consideration, in a general way, the existence and success of comparable products, or products used for the same therapeutic or diagnostic purposes, but not by definition any product exactly like the one to be priced because there is none. It is well to remember here that differences for pricing purposes arise not only from varying chemical or molecular structures, but from differing manufacturing sources or brand names and sales programs as well.

Prices set in this way on prescription products lead to the very situation that is so often criticized today; an enormous range between trade or retail prices and those given to institutional or government purchasers. The rigidities of prices at the trade level already described tend to freeze the prices at the top level for at least a considerable period of time during which the disruption of the institutional pricing structure occurs, and the perplexing and dismaying situation now deplored by retail pharmacists, legislators, and the general public arise.

The precise and detailed approach that a pharmaceutical pricer should use to avoid falling into the trap of an eventual "no-price" for his product presents a complex and difficult problem. It amounts to the better utilization of forecasting, and market research tools—including computerization of much basic information—to establish in advance the market utilization of each product and package of product, and the pricing prerequisites of each market segment contributing to the product's sales volume. Varying competitive forces and their effect on prices in each market must be recognized and evaluated in advance so determination of product dollar productivity can be measured in realistic terms. By this means, formulas for pricing can be set that do not lead in fact and theory—by actual use or by company policy—to anything more than a reasonable price range for a given product. It must be stressed that in setting up any such approach to pricing that due attention must be given to the new hard facts of prescription product distribution—facts which the outside world is imposing on an industry which is reluctant to believe and acknowledge them and even more reluctant to change their policies accordingly. Some such facts are: