

# Price Components

AM Market Information  
Methodologies Consensus Meeting  
March 2008

## HAI Methodology

5 stages to distribution chain:

1. Manu selling price (CIF)
2. Landed price
3. Wholesale price
4. Retail Price
5. Dispensed Price

## HAI Methodology

Data collection:

1. Central level on official policies
2. Tracking back study from retail level
  - 2 regions
  - Each region select one rural and one urban facility per sector (public, private, other eg mission)
  - 5-7 medicines from price survey including originator, generic, locally manufactured and imported
  - Ask retailer selling and buying price and source of supply
  - Follow back to seller and ask their buying price and source of supply
- Completed in 4 countries, now plan to test more widely
- Marg to circulate relevant chapter

## HAI Methodology

Comments:

1. Helpful for comparability if we all use standard 5 stages
2. Agree on importance of collecting buying and selling price from same outlet
3. Need to increase sample size
4. Need to stratify by outlet type, location, and by high and low volumes
5. Sensitivity of data collection: Need to have socially acceptable data collectors
6. For ACT related studies: include ACT, other common AMs, other common medicines from HAI core list e.g. Amoxicillin, cotrimoxazole, paracetamol
7. Need to separate costs from profits as intervention implications are different

## Methods for Evaluating Markups

1. Activity based costing
2. Standard Markup Assessment Template
3. Comparisons across drugs or outlets

## Activity Based Costing (South Africa)

- Detailed time and motion studies at each stage of distribution chain to collect data on all resources used
- Resources valued using actual costs

## Standard Markup Assessment Template (Prashant – Zambia)

- Key informant interview with wholesaler(s) to get benchmark costs for all functions undertaken by suppliers in distribution chain
- Interview wholesalers and retailers to ask which functions they perform (for all products) e.g.
  - Do you give credit or other discounts?
  - Do you deliver or do buyers collect?
  - Are salaries a major cost component for you?

## Standard Markup Assessment Template (Prashant – Zambia)

- Estimate total costs
- Ask what % of total revenue comes from e.g. ACT
- Apportion costs on this basis
- Ask about sales volumes in previous 2 weeks (from recall or records)
- Estimate overhead cost per pack
- Margin over (direct + overhead cost) = profit
- How to tell whether this is supernormal or not?

## Comparisons across drugs or outlets

- Compare markups:
  - ACT v other AM
  - ACT v medicines from other groups
  - Across outlets with similar characteristics
- Focus on major differences in markups of order of magnitude

## Scope of Data Collection

- Initial detailed study of all stages of distribution chain to assess what would be a reasonable markup
- Monitoring – could be based on retail prices – adverse event alert where see a high retail price leading to further investigation
- What should be frequency of data collection?
- Detailed assessment of impact of intensity of competition only in a sub-set of settings

## Studying Intensity of Competition

- Measuring market shares
- Some countries volume data readily available at the top of the chain
- Estimate sales volumes at lower levels from recall or retail audit
- IMS method for establishing total market size where only have data for sub-set of outlets
- Stocks can also give idea of volumes