

## **ANALYZE OF PHARMACEUTICAL INDUSTRY IN EUROPE**

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Medicine is for people, not for profits. A monopolistic position, medical innovation, patent protection, and an increasing number of patients worldwide allow the pharma companies to make billions of USD every year but medicine made is for people, not for profits. In the face of crisis, few industries are profitable and well-functioning, but there are some that still keep on generating benefits and offering work places. The pharmaceutical industry is one of the most profitable sectors on our globe, and considered the most lucrative after-market weapons. Total global spending on medicines will exceed one trillion USD in 2014 and reach almost \$1.2 trillion in 2017. By 2017, the global spending on medicines will have almost doubled the spending in 2007. Economically stable countries implemented two to seven policy changes each, whereas less stable countries implemented 10 to 22 each. Of the 88 policy changes identified, 33 occurred in 2010 and 40 in 2011. They involved changing out-of-pocket payments for patients in 16 cases, price mark-up schemes in 13 and price cuts in 11. Sales volumes increased moderately in all countries except Greece and Portugal, which experienced slight declines after economic crisis in 2009. Sales values decreased in both groups of countries, but fell more in less stable countries. Less economically stable countries implemented more pharmaceutical policy changes during the recession than economically stable countries. Unexpectedly, pharmaceutical sales volumes increased in almost all countries, whereas sales values declined, especially in less stable countries.

We argue that the decisive factors are institutions and resources, which in turn govern global economics. Institutions are the rules of the game – both formal and informal. Now, formal constraints include laws, regulations, and rules. Informal limitations are norms, cultures, and ethics, which can be continuously divided into normative and cognitive supportive pillars. Referring to the resource-based view, we suggest using the SWOT (strengths – weaknesses – opportunities – threats), but even more the VRIO framework (value – rarity – inimitability – organization) when evaluating the companies. This idea is especially valuable when applied to international business. When going abroad, familiar rules of the game are often not available. To capture the hearts, minds, and wallets of customers in other markets, companies need to pay attention to the rules of the game there, especially unwritten informal ones.