

## PDP Pricing Interview Guide

**Organization:**

**Name, Function:**

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**Date:**

**Confidentiality:**

### Price as a strategic element

#### Questions

1. Does your PDP have an explicit strategy regarding pricing for its products that is more specific than "prices that promote access"? If not, do you believe an implicit strategy exists?
2. Considering that price can be determined by many factors and many parties, how important is the role of your PDP in determining the ultimate affordability of the products it develops (*Rate from 0[no role] to 10 [PDP only responsible]*)?
3. Does your PDP have specific objectives regarding pricing of its products (for example, seek prices as close as possible to marginal cost; or seek prices that balance access needs and innovation needs). If so, explain.
4. Has your PDP made explicit strategic decisions regarding where and when to influence prices? (If so, explain):
  - a. Markets/segments to target
    - i. Public & non-profit / private
    - ii. Lower income / middle income
  - b. Level of supply chain to directly target (for example, ex-works price or consumer price)
  - c. Time in the product life cycle to target (at introduction, long-term, both)
5. Does your PDP seek to influence the price of goods and services that are essential complements (required to ensure appropriate access) to the products it develops?
6. Has your PDP ever eliminated products from the pipeline primarily due to pricing considerations?
7. Has your PDP ever eliminated potential collaborators/partners due to pricing considerations?

## Methods/options

These methods are not necessarily exclusive. For any given product, combinations are possible and one option can be used at one point in the product life cycle and another option later on. For example, it is possible to start with passive IP access early in a product's development and move towards to active IP access linked to a cost + model as a product moves close to market.

Method	Description	Comments
<b>Cost based</b> <ul style="list-style-type: none"> <li>○ No profit/ no loss</li> <li>○ Cost +</li> </ul>	The objective is to drive product price close to its marginal cost with a possible incentive for companies to continue to invest.	<ul style="list-style-type: none"> <li>○ Can be challenging to accurately determine cost of product due to transfer pricing and accounting differences.</li> <li>○ May not provide incentives to reduce costs</li> </ul>
<b>Target based</b> <ul style="list-style-type: none"> <li>○ Benchmark</li> <li>○ Price ceiling</li> </ul>	The objective is to use the information already provided by the market to help establish prices.	<ul style="list-style-type: none"> <li>○ Benchmarks require a transparent methodology and the existence of substitutes or alternative markets.</li> <li>○ May not always know the true total costs related to substitutes.</li> <li>○ Methodology for establishing a price ceiling may be difficult to justify.</li> <li>○ Targets can induce supply shortages</li> </ul>
<b>Volume linked</b> <ul style="list-style-type: none"> <li>○ Specify price and minimum quantity to supply</li> <li>○ Price explicitly linked to volume purchased</li> </ul>	The objective is to assure adequate quantity of product or to simulate the Law of Demand for a normal good (price falls as demand rises). Used in combination with other methods of setting price.	<ul style="list-style-type: none"> <li>○ May be difficult to negotiate without good demand forecasts and knowledge of supplier cost structure.</li> </ul>
<b>Competition based</b> <ul style="list-style-type: none"> <li>○ Create many substitutes</li> <li>○ Passive IP access (PDP controls access to IP &amp; makes it available)</li> <li>○ Active IP access (PDP seeks producers)</li> </ul>	The objective is to remove some supply related market imperfections to create a more competitive market.	<ul style="list-style-type: none"> <li>○ Can depend upon the existence of substitutes.</li> <li>○ For innovative products may be limited by technology know how and transfer.</li> <li>○ Interest of producers may depend on likely availability of financing (global financing mechanisms)</li> </ul>
<b>Market incentive</b> <ul style="list-style-type: none"> <li>○ Profits vary with degree</li> </ul>	The objective is to stimulate commercial interest by providing a larger reward for increased investment and/or risk.	<ul style="list-style-type: none"> <li>○ These are considered "pull" mechanisms. The PDP model is largely "push". Still, it is possible to</li> </ul>

Method	Description	Comments
<ul style="list-style-type: none"> <li>o of commercial investment</li> <li>o Advanced Market Commitments (AMC)</li> </ul>		<ul style="list-style-type: none"> <li>o adopt a mixed push/pull approach.</li> <li>o May be difficult to establish costs (and therefore profits).</li> <li>o AMC can have some of the same issues as target based pricing.</li> </ul>
<b>Market</b>	Price is determined by supply and demand	<ul style="list-style-type: none"> <li>o This is the default if the PDP takes no specific action other than product development.</li> <li>o Market imperfections will affect the price.</li> </ul>

### Questions

1. Considering all the products that your PDP has had in the pipeline (including those that have been eliminated), for what (estimated) percent of these has the PDP developed and used a pricing method in at least one market segment other than market pricing (as defined in the table above)?
2. What factors are important to your PDP in making choices regarding pricing methods?

*Rate: 0- never a consideration; 1- matters a little; 2-matters somewhat; 3-a predominant driver.*

- a. Phase in the product R&D pipeline that a price method is chosen
- b. Desire to directly impact price at a particular point in a product life-cycle (at introduction or long-term price)
- c. Difficulties in implementing certain options (for example, a lack product substitutes, lack of knowledge of substitute prices, or difficulties in estimating demand, difficulties in estimating production costs)
- d. Disease category of product and its implications
  - i. Degree of technical difficulty in developing products
  - ii. Predominant supply channels in country (public & non-profit, private, mixed)
  - iii. Likely financing including the availability of global financing mechanisms) and /or the degree product purchased out-of-pocket
  - iv. Likely procurement mechanism such as the existence of global procurement mechanisms
  - v. Any other impact of the global policy environment –explain
  - vi. Any other impact of the local policy environment –explain
- e. Partners

- i. The type of partner needed or involved (academic, biotech firm, generic producer, research-based firm)
    - ii. The conditions placed by the partner (PDP adapts to partner's pricing strategy)
  - f. Organisational culture and values of the PDP and influence on acceptability of options
  - g. Advice or influence from an external party/consultant
  - h. Other. Specify.
- 3. Does your PDP apply different options for the same product to different sectors (public and non-profit versus private)? To what extent is this driven by the PDP itself or by the global policy environment?
- 4. Does your PDP apply different options for the same product for different groups of countries (low income versus middle income)? To what extent is this driven by the PDP itself or by the global policy environment?
- 5. Considering all the products that your PDP has had in its pipeline (including those that have been eliminated), what pricing methods (or mix of these) are most commonly enacted at different stages in product development and for different segments and countries? (See tables below) List starting with the most frequently used (and with an estimated percent of use).
- 6. Are there pricing options that your PDP has never used or considered? Why?
- 7. Are the pricing options chosen implemented as effectively as possible, or is it possible for your PDP to obtain better leverage in negotiating or more success in implementing their options? Explain.

### **Role of other parties**

#### Questions

1. Which parties external to your PDP (if any) had any type of impact on pricing strategy and options chosen? Discuss.
2. Which parties external to your PDP (if any) are involved or need to be involved (in the future) to make PDP pricing choices operational? Discuss.
3. For your PDP, what is the role of external legal/accounting/ or other consulting firms in developing pricing strategy and options?
  - a. How significant is their input?
  - b. How were these chosen and by whom?
  - c. Are the relationships *ad hoc* or sustained?
  - d. Is the level of support deemed appropriate?
  - e. Are there any risks associated with this support?

## **Opinions and perceptions**

*(Views of individuals, not necessarily of their organizations)*

### Questions

1. Is PDP activity in pricing part of their core mission? Are there other parties who could/should be involved instead or to a greater or lesser extent?
2. In general, do you believe that PDPs have clear pricing strategies for their products? What is the degree of variability regarding the clarity of strategic approach among PDPs?
3. In your opinion, in general, do PDPs make wise choices regarding their pricing strategies and methods? What is the degree of variability among PDPs in this regard?
4. Donors who contribute to the purchase of health goods can also fund PDPs. To what extent can they, do they, and should they influence PDP pricing strategy and pricing choices?
5. Do you believe that donors to PDPs are satisfied with the nature and outcome of PDP activities regarding price? Explain.
6. Countries are eventually affected by the pricing options pursued by PDPs. To what extent can they, do they, and should they influence PDP pricing strategy and pricing choices?
7. Do you believe that countries are satisfied with the nature and outcome of PDP activities affecting price? Explain.
8. What type of information or support (if any) would allow PDPs to continually improve in their ability to make sound choices regarding pricing of their products?
9. In general, can consulting advice (legal, accounting, etc) support provided to PDPs in the area of pricing, be made more effective or more efficient? If so, how?
10. In general, can the implementation of PDP pricing options be improved? If so, how?

### **Additional points:**