For nearly 25 years, Iranian Pharmaceutical market has been a closed and centrally controlled one. Although some initiatives have been introduced during the last decade, yet the system is characterized as a closed one and lacks real competition.

The current situation of drug in Iran may be characterized as:
- Intense price control by the Drug Authority i.e. Ministry of Health
- Ban of drug import when an item is manufactured in the country
- Compulsory generic production policy
- Currency allocation by the government in reduced rate for drug production and importation
- Subsidization of many items by the government
- Irrational use of drugs

However, this centrally controlled system has produced some successes as well as:
- Guaranteed low and affordable prices of drugs for all patients
- Local production of more than 95% of the drug consumption of the country

Now the authorities have decided to apply market mechanisms in the drug sector. All regulations restricting competition in drug sector are being modified to allow competition in the drug market. There will be no more bans on drug import, if the item is produced internally. The only limiting factor is high custom duties. In this new environment, many challenges lie ahead. The pharmaceutical industry is expected to expand rapidly, benefiting from new open market policies. Regulatory controls on development and marketing are going to be negligible and as the economy prospers, health care and drug expenditure are expected to increase. When the market opens up for different competitors, be it local or big pharmaceutical companies from overseas, to secure a high market share, new marketing strategies and approaches are required. It is well known that the final consumer (i.e. the patient) has little or no say in the choice of drug and treatment. Specialists and general practitioners are the customers of the pharmaceutical companies, because they are ultimately responsible for purchasing decisions. Therefore, it is expected that marketing efforts target medical practitioners and specialists, building on individual representatives that will alert practitioners of new products through one-to-one sessions at the practitioner’s office. This sales approach, known as “muscle marketing”, is proven to be a successful approach for a fragmented customer base, while increasing the number and spread of sales representatives is an effective way to overcome challenges poised by high mobility of specialists, cramped appointment schedules and general practitioners’ geographic expected. We are already noticing this impact. There is a noticeable shortage of pharmacist in the country.

The second impact is expected to be on the generic concept, a “generic” product is a drug bioequivalent to the brand item, manufactured by another pharmaceutical company and usually sold at a cheaper price. Generics are identical in virtually every respect to the branded original and their prices are normally at the bottom of the market. Generics are neither developed nor manufactured by the original company and as such, are not backed by the manufacturer’s quality control and medical information department. To a lot of
medical practitioners, difference is irrelevant, whereas for others the difference is important thus an opportunity to have “branded generics” opens up. Branded generics are generic products offering small advantage, of being sold at a price above the lowest-priced generics.

The immediate effect of legislation allowing branded generics and proprietary products is that pharmaceutical companies start to develop better products by investing in research and development activities. This may have some impacts on drug prices; however, quality improvements are real consequences. Pharmaceutical investments in R & D, quality control and quality assurance activities are going to increase significantly. Even clinical trials and bioequivalency studies are to increase markedly. We therefore expect to see an increased demand for pharmacy graduates in this sector as well. Therefore small but highly advanced and scientific pharmaceutical companies specialized in R & D and marketing activities should be established to provide services for drug manufacturing companies. I think pharmacy schools are not prepared for these changes. We need to take these emerging challenges into consideration and be prepared to meet the requirements of the new environment.