Strategyanalysis of bangladesh pharmaceutical industry

Bangladesh is one of the ten most populous countries in the world. It is also one of the poorest. Access to even the most basic healthcare provision remains very poor, despite the ongoing efforts of the government, aided by considerable international assistance. Adequate secondary or tertiary care is beyond the reach of all but a very few people. Government hospitals are often little more than clinics, and suffer from severe shortages of trained staff. There is growing private hospital sector, largely based in Dhaka, which caters to the well-off.

It is in the private sector where the most advanced services are located, and where almost all the demand for the pharmaceutical market will be found. Globally, political pressure for health care cost containment and reform have lead gradually to more favorable legislation and policies supporting increased utilization of generics. Many of the top generic companies who themselves are now huge global players have seized on the opportunities as wave of blockbuster patents expires. They have inspired confidence in generic drugs as high quality, therapeutic equivalents to the brand.

Today the generics hold approximately 35% share of the total US market by volume and some are even out pacing the big Pharmaceutical companies in earnings performance. Indian companies are slowly but surely on the verge of penetrating this very lucrative market and yet Bangladeshi Pharmaceutical companies have not made any sincere effort to be in this regulated market. In Bangladesh the pharmaceutical sector is one of the most developed hi-tech sectors which are contributing in the country's economy. After the promulgation of Drug Control Ordinance - 1982, the development of this sector was accelerated.

The professional knowledge, thoughts and innovative ideas of the pharmaceutical professionals working in this sector are the key factors for these developments. Due to recent development of this sector it is exporting medicines to global market including European market. This sector is also providing 97% of the total medicine requirement of the local market. Leading pharmaceutical companies are expanding their business with the aim to expand export market. Recently few new industries have been established with high tech equipment and professionals which will enhance the strength of this sector.

Bangladeshi Pharmaceutical Industry: The Bangladesh pharmaceutical market in 2004 stood at approximately US $ 560 million, which is very small when compared to the population base of the country, which currently stands at about 140 million. To put this number on a proper perspective, the total global pharmaceutical sale in 2004 was $430 billion. This is expected to grow at 8. 1% to about $530 billion in 2005. Of course the majority of the sale in 2004 was in brand products, the market segment where Bangladesh does not or is not expected to participate in the very near future.

However today, the pharmaceutical companies in Bangladesh are one of the fastest growing sectors in the nation. Prior to post-liberation, the Multinational companies used to dominate the market but today this situation has been completely reversed. Now approximately 80% of the domestic pharmaceutical need is met by the local companies. In 2004, according to IMS data, the pharmaceutical industry in Bangladesh grew by approximately 20%. Today, there are about 225 registered pharmaceutical manufacturers in Bangladesh. However, it is reasonable to assume that 75% to 80% of the revenues are generated by the top 10 to 15 companies.

The same top 5% of the companies are also engaged in exporting finished products to 62 countries around the world. The total pharmaceutical export in 2004 was about $50 million compared to $20 million in the previous year. By any measure, these are very small numbers, particularly in a country that is allowed to manufacture patented drugs and export to the least developed countries (LCD) of the world. This exemption, with respect to the patent would extend into 2016 creating a very favorable environment for both domestic and foreign investments. Industry Analysis:

Bangladesh, currently having more than a couple of hundred manufacturing facilities with huge potential in pharmaceutical formulations, is heading on a new path of industry economics for self-reliance. Aiming at minimizing the import dependency on basic drugs, the country's prime concern is about building up of own capability in the manufacturing of active pharmaceutical ingredients(APIs), base materials and other allied industry inputs. For Industry analysis Michael Porters five forces model is used as a framework to analyze the pharmaceutical industry of Bangladesh.

Competitive Force 1: Rivalry among Existing Firms There is a fierce competition among the existing firms. Among the various pharmaceutical companies when one of them produces new medicine with same component, existing firms forced to produce same type of medicine to exploit the opportunity. From a study it has been found that, during a 24-month period, 268 patients entered the study. One hundred thirty-eight patients were randomized to omeprazole treatment; 130, ranitidine treatment.

Seventeen patients (6. 3%) discontinued the clinical trial without any follow-up assessments, including 8 (5. %) in the omeprazole group and 9 (6. 9%) in the ranitidine group (P=. 71). Study dropouts were not significantly different from patients with 1 or more follow-up assessments on baseline demographic, clinical. So, from these findings it can be referred that SK&F uses element for gastric treatment for the medicine Losectil, omeprazole while Opsonin is using Ranitidine as their gastric treatment tablet Ranitid. Competitive Force 2: Threat of New Entrants Pharmaceutical industry of Bangladesh is a matured industry. This industry has gained vast growth and contributing huge contribution to the economy.

In pharmaceutical industry there are many big companies operating their business successfully, like Square, Beximco, Eskayef, Novartis, Opsonin, Incepta, GlaxoSmithKline, Renata, ACI, Acme, Ibn Sina, Aristopharma, Drug International etc. pharmaceuticals. So, if there any new pharmaceutical company who will be referred as new entrants will face tremendous competition with these big companies. Though the new entrant has vast amount of investment they may not be able to capture market because they are new and as a medicine company they are not reliable.

On the other hand if the new entrant company tries to compete with the existing companies they may have to face the rivalry of the competitors who has vast amount of resources. Competitive Force 3: Threat of Substitute Products As we discussed earlier about the Ranitidine and Omeprazole are the same element of gastric related medicines. So, they could be substitute to one another. If one pharmaceutical company can get greater accepting by producing medicine with the element Ranitidine and doctors can refer that medicine widely for its effectiveness, it will be a threat for the other company who produces medicine with Omeprazole.

We can give another example of substitute product threats, like Some people might be allergic to aspirin while others might have medical conditions where the blood thinning properties of aspirin are dangerous. In that case, Paracetamol might be the wiser choice because it does not thin the blood. For example, if one has had a blood clot in his leg and is on coumadin or some other blood thinner, one would not want to take aspirin for a headache because it could over-thin one's blood and make them more prone to hemorrhage, whereas Paracetamol would be a safe choice.

If someone is allergic to aspirin, Paracetamol would be the headache medication of choice for obvious reasons. Competitive Force 4: Bargaining Power of Buyers The pharmaceutical companies of Bangladesh do influence medical practitioners, wholesale and retail distributive shops of pharmaceutical products to promote their own brands. One can infer that anticompetitive/restrictive business practices in the form of unfair collusion among the companies, doctors, and distributive shops are the striking features of this sector. In this case, real consumers like us do not have much bargaining power.

Because every company price their medicine almost relatively same level and medicine is the most important need for people, they do not have much bargaining power. Competitive Force 5: Bargaining Power of Suppliers With regards to raw materials sourcing, the pharmaceutical manufacturers in Bangladesh procure raw materials from various countries namely UK, France, Germany, Japan, Holland, Italy, Denmark, China, Switzerland, Austria, Hungary, India, Ireland etc. , In case of raw materials that are locally manufactured, they do not go for import.

But Bangladesh is currently not a major manufacturer of raw materials, this is an area that could provide some “ niche” opportunities for the Bangladeshi firms down the road. So, suppliers of raw materials of pharmaceutical companies do not have much bargaining power. Because, pharmaceuticals can switch their supplier if they start to bargain inappropriately. Competitive Strategy Analysis: Cost Leadership: Price and output decisions are in principle taken by the management boards, the drug prices are significantly influenced by the pricing policy of the government of Bangladesh.

Some pharmaceutical firms collude or cooperate among themselves in respect of production of certain products and their pricing. Some comes with some unique medicine and price at low. As example- French pharmaceutical major Sanofi-Aventis, one of the largest multinational pharmaceutical companies operating in Bangladesh, announced that it had decided to provide its revolutionary anti-cancer drug Taxotere (docetaxel) at an affordable price as a part of the company’s Patient Assistance Programme. The programme has been introduced to enable cancer patients to gain better access to treatments through chemotherapy.

Product Differentiation: Pharmaceuticals have been producing world class pharmaceutical products following current Good Manufacturing Practice (cGMP) as required by the World Health Organization (WHO) in order to improve health, happiness and quality of life. Bangladeshi Pharmaceuticals have products of different therapeutic classes, each of which occupies a prominent position in the market and the heart of our customers and shareholders. These pharmaceuticals also known for constructive endeavor to innovation that is usually the result of very extensive product testing and market research.

The markets are segmented and the prices of some widely-used products (such as the aspirin-based pain killer Paracitamol) vary from firm to firm. In most cases, products are differentiated only through packaging – a common feature of imperfectly competitive firms. The drugs are easily available without prescription. A number of pharmaceutical products made in Bangladesh are exported to the neighboring countries. Corporate Strategy Analysis: In the pharmaceutical sector there is a category of a large number of small firms that produce only for the domestic market.

In the rural area and the countryside the products of small firms cater to the needs of the middle and low income people of society. Large firms make huge investment in R&D and they are the holders of the vast majority of the patents. While the large firms are engaged in developing new medical products to deal with new diseases and/or to deal with old diseases more effectively and thereby maintaining their patents, the small firms do not maintain very many patents of their own. They are thus involved in competition with other firms on the basis of manufacturing off-patent generic medicines or patent medicines under license.

There is a bit of competition among these firms over price, cost efficiency and quality of the products. By making huge R&D investments the large firms maintain patent rights and they exercise significant market power. The whole basis of business is innovation and marketing of new products. A survey was carried out among the top ten pharmaceutical companies in Bangladesh (Anwar, S. F. , 2002). In 1982 there were seven multinational firms and only three local ones among the top ten pharmaceutical companies in Bangladesh. More than 50 per cent of the market share was under the control of top five companies.

However, in 1994 Pfizer, SK&F and ICI sold out their operations to domestic entrepreneurs in Bangladesh. It appears that the share of local companies in total production has increased from 25 per cent in 1981 to 49 per cent in 1997. This share was around 39 per cent in 1992. While it is true that the share of the local firms in total production has increased over the years, one cannot draw conclusion that the market has become competitive. It only means that the role of the local firms, in particular that of Beximco and Squaqre, has increased over the years.

Today more than 70 percent of the pharmaceutical business in Bangladesh is done by the national companies. However, there are five multinationals among the top twenty companies in the country. It has been observed that nearly all the life-saving imported drugs and new innovative molecules are distributed by these companies. Conclusion: Presently top pharmaceutical companies in Bangladesh are also in the process of getting into bulk drug production with collaborative technology, technology transfers and joint venture basis.

The large-scale players in the Bangladesh pharmaceutical industry currently include Square Pharma, Beximco, Alma, Apson Chemicals, FEI, Araneta, General Pharma, Hudson Pharma and SKF among others. The MNCs that have a major presence in the country's pharma sector are Aventis, Pfizer, Novartis and Astra Zeneca. They all should come up with new strategy to improve their business and capture the market. Those strategies should be construct based on the factors which will influence the economy and greater purpose of the company.