

Opportunities for traditional drug companies essay sample



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From the cases and readings this week, it is clear that perhaps the largest missteps for both Pfizer and Eli Lilly were their failures to understand the changing basis of competition. Christensen states that “ when multiple products offer enough functionality and enough reliability, then customers will be reluctant to pay price premiums for improvements in either of these areas” (Christensen, 1999). In Eli Lilly’s (Eli’s) roll out of synthetic insulin and in their future plans for the roll out of a long-release insulin product, they have clearly failed to recognize this concept.

They’re not likely to gain premium pricing for either of these as they represent very little improvement to the client. In Pfizer’s case, the roll-out of Exubera similarly missed the mark. Weintraub states that clients never felt that needles were much of a hassle and that they caused virtually no pain. Pfizer was attempting to charge a 30% premium to something that customers did not really care about and insurance companies thought was not worth the expense. (Weintraub, 2007) Further, both companies failed to understand their stakeholders or “ lead clients”.

In fact, they barely reached out to them at all, it seems, in attempting to validate their market. As Bruce Frank asserted “ In retrospect the market was not all that dissatisfied with highly purified pork insulin” (Eli Lilly and Company: Innovation in Diabetes Care, 2004). Similarly, Pfizer failed to reach out in a meaningful way to its clients to understand whether the product would be both understood and accepted. Doctors were not educated on how to use the product, and therefore could not educate patients. Patients were embarrassed by having to carry around an enormous device.

Nobody could figure out the appropriate dosage, and Pfizer failed to recognize that though the new product was highly innovative, patients did not mind needles. A final major misstep is the organizational structures of the companies themselves. This is particularly true with Eli Lilly. The case highlights various geographic and “ process” segments that appear to focus entirely on bringing a new drug or drug-centered device to market. This focuses the company entirely on their drugs rather than opportunities in devices such as glucose monitors and services such as educational “ stores” that might benefit the company over the long-run.

Recommendations for Change: The companies must both shift their entire culture around a more client-centered approach. This could be accomplished by incorporating the Pyramid of Influence and doing much more thorough market research. In these cases we have clear examples of the “ ready, aim, fire” (Adams, 2002) approach rather than an approach where clients, including doctors, patients, and insurance companies, are sought out for advice on what the market needs. Objectively doing so would have avoided massive failures on both parts.

As Henschke asserts: In all cases, make sure to get at least the following answered: Whether the product solves problems that are pervasive in your target market [and,] whether or not target [clients] would buy it. ” This is not overly simplistic. Adams asserts correctly that big companies like Pfizer and Eli Lilly tend to defend their markets (Adams, 2002) rather than acting like a startup and fulfill real needs and attempt to gain market share not only in innovative ways but in ways that are validated in a methodical manner.

A second recommendation, particularly for Eli Lilly, is to learn from the previous experience with synthetic insulin. The company should scale back the capital investment in manufacturing facilities for the new insulin, and approach the market in a highly conservative way. It should combine this with their focus on the service side and long-term-care business and simply educate the population over time on the effectiveness of the new treatment. This will save on sales force efforts and the need for large investments with likely slow returns. Eli Lilly should also focus on markets that are adjacent to its core competency of producing drugs.

One such market, that it already has failed in attempting to access is glucose meters. Having experience with a small-scale glucose monitor firm, I know first-hand that this is a highly lucrative market with margins that to which meet or exceed what Eli Lilly is accustomed. My own client, who essentially made a few basic changes to products that were already on the market, achieves gross margins over 30% and net margins of approximately 10%. They are obviously a significantly smaller (approximately \$10mm) revenue company than Eli Lilly, and have none of the advantages of scale that a multi-national has.

An article from Forbes proves the point asserting in discussing Johnson and Johnson's success. The company generates nearly \$5 billion world-wide in glucose monitoring achieving massive margins in the process (Marcial, 2013). This is the result of enormous margins on the strips, which sell for approximately \$1.25 a piece and cost nearly nothing to make. Eli Lilly should develop or acquire successful companies in this arena and shake up its organizational model to reflect the addition to its focus. The final step in <https://assignbuster.com/opportunities-for-traditional-drug-companies-essay-sample/>

the recommended changes is, therefore, in the structure of the organizations themselves.

In both Eli Lilly and Pfizer's cases, there is a need to incorporate market validation into each of its marketing divisions. There is a further need, particularly in Eli Lilly's case to reshape the organization around service, devices, and drugs, with equal focus on each area, rather than the existing model of bringing new drugs to market. In both cases, the old model of selling only to doctors after a new drug is developed is one that must change as well. This can happen through an extensive reliance on the aforementioned market validation from a powerful marketing arm of the organization.