

# Business analysis of eu yan sang international limited essay



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The Chinese profile of pharmaceutical industry is low and it owns 20 % of the universe's population and merely 1.5 % of the global drug market ( Smith, 2005 ). However, the pharmaceutical industry in America is one of the fastest turning industry and many American companies are self sufficient in fabricating drugs medical specialty and chemicals, medical devices, hygiene stuffs and pharmaceutical machinery ( Jonas, 2003 ). As a consequence of turning efficiency in pharmaceutical industry, many Chinese markets now are nearing to hold joint venture with other international pharmaceutical company. The pharmaceutical industry in USA is the most profitable industry in last few decades and it is the most quickly turning sector in US economic system. It is anticipated to spread out more ( Bousset, 1983 ).

This paper aims to look into the feasibility of joint venture activity of Eu Yan Sang, a Chinese pharmaceutical company. The ground taking an American company for joint venture is that American pharmaceutical industry has created a competitive advantage in US economic system. In this paper, the focal point is to analyse how far the joint venture of Eu Yan Sang with a US base company Merck & A ; Co. , Inc. This joint venture is Franchising and Merging & A ; Acquisition. This study undertaking will analyse whether or not making a joint venture with Merck & A ; Co. , Inc is good in terms of success and economic growth.

## **Industry Business Description**

However, Chinese and states of far eastern pharmaceutical market are extremely inefficient. In 2007, they all have about 3, 000 to 6, 000 domestic pharmaceutical makers companies and about 14, 000 domestic pharmaceutical distributors. China is one of the major pharmaceutical market is the universe. In 1996, the market value of Chinese pharmaceutical market was \$ 10 billion and this figure is forecasted to widen more. The rapid enlargement of economic system and authorities attempts to construct China as an of import participant in the pharmaceutical industry is fueling the growing rate of pharmaceutical companies in China ( Bousset, 1983 ) .

## **Company Description**

Eu Yan Sang International Limited is listed on the Singapore Exchange as Eu Yan Sang International Limited. It is a planetary health care company with its chief focal point in Traditional Chinese Medicine. The company has dedicated its concern operation to prosecute the best natural health care merchandises and services to its clients.

Eu Yan Sang was established in 1879, emerging from a little Chinese medical specialty store. In 1999, the Group transformed its corporate and retail reputes, actively lending in the transmutation of the Traditional Chinese Medicine industry and homogeneity of its Chinese medicine industry by concerted research with faculty members and the authorities. The company is now an International Limited with the largest TCM maker and retail merchant in Hong Kong, Singapore and Malaysia and sharing their imaginative selling constructs and schemes.

Eu Yan Sang is a pharmaceutical company that specializes and focuses in traditional Chinese medical specialty. The company presently operates more than 140 retail mercantile establishments in Hong Kong, Macau, China, Malaysia, Singapore and Taiwan. It besides owns two mills in Hong Kong and Malaysia. The company besides operates 20 TCM clinics in Hong Kong, Malaysia and Singapore and three Specialist TCM Centres in Singapore ( [hypertext transfer protocol: //www. euyansang. com/](http://www.euyansang.com/) ) .

### **3. 1 Type of Business**

Eu Yan Sang is a retail and fabricating company. It possesses a distribution web of 140 retail mercantile establishments in Hong Kong, Macau, Guangzhou, Malaysia, Singapore and Taiwan. The company ' s some of merchandises are besides carried to pharmaceuticss, supermarkets, shops, infirmaries, wellness nines and watering place. Eu Yan Sang is besides a maker and has two fabrication mills in Hong Kong and Malaysia. The Company ' s fabrication installation in Malaysia is operated by a wholly possessed auxiliary company, Weng Li Sdn Bhd. Eu Yan Sang has invested in a HK \$ 110-million in a 130, 000A sqA foot ( 12, 000 M2 ) industrializing works in Yuen Long Hong Kong in 2006. This incorporation and extraction installation besides has possessed its ain research lab installations for research and development. The Company controls 20 TCM clinics in Singapore, Malaysia and Hong Kong. Furthermore, there are three specializers TCM Centres in Singapore and has trained practitioners in Chinese medical specialty. These clinics provide services such as stylostixis and distributing TCM prescriptions ( [hypertext transfer protocol: //www. euyansang. com/](http://www.euyansang.com/) ) .

### **3. 2 Legal Structure**

The company is group of companies operated in Hong Kong, Malaysia, Singapore and Australia by senior direction of the company ( hypertext transfer protocol: //www. euyansang. com/ ) . In add-on, in August 2010, Eu Yan Sang announced its joint venture of acquisition with ASX-listed Healthzone Limited, and the understanding to get 14. 99 % of Healthzone Limited. ( Company Document available on URL[ 1 ] )

### **3. 3 History/Mission/Goals/Objectives**

The company was founded in the 1870s by Eu Kong Pai besides known as Eu Kong. He built up the first rock of the company after he realized that the locals were greatly reliant on opium as the most convenient manner for instant alleviation for their medical demands. Since the bulk were nescient and incognizant that opium could be dangers to their wellness. Eu Kong applied his traditional cognition of Chinese medical specialty to bring forth herbal redresss to handle their physical agony and re-establishing the wellness. Eu Kong started his first Chinese medical specialty shop in 1879 in Gopeng, with the name “ Yan Sang ” ( Singapore concern, 1993 ) .

Eu Tong Sen, the eldest boy of Eu Kong inherited the household concern in 1890. Eu Tong Sen had been greatly concerned in Sn excavation industry of Malaya.

His positions of Sn in Kampar made him to get down a 2nd medical specialty shop in Kampar, Perak in Malaya. At last, Eu Tong Sen enlarged the household concern of traditional Chinese medical specialty and developed it to other parts of Malaya, Singapore, Hong Kong and China. The company

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name is Eu Kong is made up of the words “ Yan ” and “ Sang ” . The Yan means sort in Chinese while the Sang means birth or life ( Asia ‘ s 7500 largest companies, 1987 ) .

The company ‘ s vision is to go a planetary health care company and holding merchandises and services base on Traditional Chinese Medicine and other Asiatic wellness patterns. In add-on, the company has mission as its name is “ Caring for Mankind ” and its purposes is to advance good wellness and good life through utilizing the diffusion of Traditional Chinese Medicine cognition and other Asiatic wellness patterns. The company ‘ s nucleus values are to supply satisfactory merchandise and services by guaranting 100 % quality, valuing the people by perpetrating to supply them honoring callings and highest criterion of unity. The Company besides recognized itself as responsible community and keeping the proviso of highest criterions of excellence in the merchandises and services.

### **3. 4 Company Principals/Ownership Structure**

The Company is headed by a Chairman and a Board of Directors. The Board of Directors is comprised of 11 members and Chairman is responsible to the Board of Directors for utilizing his rights. There are senior directions of the company that heads the operations of company in different states.

### **Product/Service Factors**

Eu Yan Sang has concentrated on providing Chinese medical specialty merchandises of the premium quality to its clients. It offers 1, 000 types of different herbs in its shop and has 300 merchandises under the trade name of Eu Yan Sang.

## **Product/ Service Analysis**

The company produced herbs and medicate majorly for human disease including for adult female, babies, and adult male. The company has offered its merchandises with different name such as Flagship Products and TCM Herbs. Furthermore, it offers broad scope of different merchandises such as TCM Solutions and Health Foods. Through the merchandises the Company has focused to present the best healthy merchandises to the clients. Other healthy merchandises including honey series, lily-livered series and tea series.

## **Customer Profile/Demand Analysis**

The clients of the Company are located in the countries where the Company operates and supplies its merchandise such as Singapore, Hong Kong, Malaysia and Australia.

## **Competitive Situation**

Invention: Global pharmaceutical companies are acute to hold competency advantage by developing advanced, differentiated merchandises that can be developed with rapid procedure and marketed worldwide.

Gross sales and Selling: Gross sales and selling potencies are the progressively important beginning of competency advantage. A pharmaceutical company that established an effectual planetary franchise with its clients is able to maximise return on its in-house merchandises and is in a better place to pull the more and more clients. Bristol- Myers Squibb established the planetary prima malignant neoplastic disease concern based on in-licensed compounds.

Strategic Responses: The international pharmaceutical market is comparatively broken off into parts, and has really big Numberss of domestic participants ; it is merged at the planetary degree. In 2002, no company has more than 7. 5 per cent market portion, but in 2003, Pharmacia acquisition of Pfizer held over 10 per cent. The top 10 participants of pharmaceutical industry accounted for about half of universe pharmaceutical gross revenues ( Holland & A ; Lazo, 2004 ) .

### Environmental Factors

A concern environment is the environment where concern operations are performed, and its operations, productiveness and employment factors are affected by external environment. The external environment chiefly includes all the of import facets of a concern such as authorities ordinances Torahs for a concern could be different in different environment and can vastly impact the concern maps. Other than this, different concern environments are the major participants that are important to see as an influential portion of concerns.

### **Business Climate in USA**

The pharmaceutical industry in USA has enjoyed a great economic betterment from the aging babe boomer population and aggressive R & A ; D ( Thomas, 1983 ) selling and productiveness battles and now the chances are available in the planetary economic system. In USA, the enhancing chances are available in pharmaceutical industry and at the same clip challenges for invention are enormous. Revolutionary and advanced progresss in engineering have made the industry to unprecedented pharmaceutical finds



( Slatter, 1977 ) . Yet chiefly concern of ordinance by the FDA is to hold low returns to investments in R & A ; D ; such as the rate of return in the late seventies dropped by a 3rd to its 1960 degrees, furthermore the monetary value of researching and bringing forth new drugs increased 18-fold. However, during the 1980s ( Swann, 1981 ) , in USA the pharmaceutical industry had a development from the Reagan disposal that increased the patents on prescription drugs and sped up the gait of O. K. ing common drugs to alternative for drugs with expired patents. The instant consequence was observed in 1980s with the R & A ; D outgo in drugs that was approximately 10 % of the gross revenues industry, against 3 % for all fabrication industries. Furthermore, the Center for Drug Evaluation and Research of FDA still operate the trade name name of industry, a common prescriptions and OTC drugs, giving a long clip hold on production. It takes about dual clip of 1960s degree to develop the new merchandise. The recent tendency developed now is 8. 1 old ages in the sixties, 11. 6 old ages in the 1970s, 14. 2 old ages in 1980s and a steady 14. 9 old ages during 1990-1996.

Center of Drug Evaluation and Research claimed that in the mid-1990s the debut of user free attack, harmonizing to which the applier pays to the authorities for its reappraisal, they have two times increased the figure of new drugs approved and divided the reappraisal clip half.

The scheme for industry is to hold an ample supply of undertakings of R & A ; D and patents in the grapevine, to buttonhole Congress and have the extension of clip on their patents so that able to reimburse their investing monetary value, to allow the fastest blessing of common drugs in order to <https://assignbuster.com/business-analysis-of-eu-yan-sang-international-limited-essay/>

alternative for drugs whose patent has expired, and to supply drugs before its expiration is possible in some certain instances such as in the HIV instances in South Africa.

In the United States, pharmaceutical industry is an innovator in footings of the geographic expansion of new and cost effective life saving drugs ( Remington: the scientific discipline and pattern of pharmaceuticals, 2005 ) .

Pharmaceutical industry is a free market and industry chiefly focuses on research and development. In addition, USA pharmaceutical industry has emerged as leader in the planetary pharmaceutical industry. With the turning pharmaceutical market, industry besides offers figure of employment chances. 484, 151 million Euros is the worth of entire planetary pharmaceutical market, and USA with northern portion of Americas and Canada has the largest portion of 47. 7 % ( Shippey, 1995 ) . Recently USA pharmaceutical market has experienced a development and discovered 370 new drugs for different diseases of the body and other variety meats. Furthermore, other medical specialties for high blood pressure, Alzheimer ' s disease, arthritis, Parkinson ' s, malignant neoplastic disease, A depression and diabetes have besides been developed ( Bartfai, 2006 ) . A American pharmaceutical industry has served about 50 % of drugs demand across the universe. However, recent new engineering inventions have provided the US pharmaceutical industry s new manner of geographic expansion. Today, drug produced purposes to take the disease from the root. In this development, genomics has played an of import function because genomics and advanced engineering have been implemented together such as high-throughput screening for compounds substance which uses machine-

controlled engineering, research labs on a bit for hire awaying a big figure of DNA fragments, molecular mold, and laser-capture microscopes and X-ray crystallography ( Hillier, 2006 ) .

The current position of US Pharmaceutical industry is of all time spread outing industry with the investings of immense sums. Most of its investings are used for research and development. The entire investing in the research and development of US pharmaceutical sector grow five times higher between 1990 and 2006. Merely in North America, the entire gross revenues of was 47. 7 % of the planetary gross revenues in 2006. Some of the taking US Pharmaceutical CompaniesA are Eli Lily, Pfizer, Bristol-Myers Squibb, Genzyme, Amgen, Genentech, Biogen and Johnson & A ; Johnson.

## **SWOTA Analysis**

In SWOT analysis, strengths, failings, chances and menaces that are related to pharmaceutical industry in the US are discussed.

### Strength of US Pharmaceutical Industry

There is no uncertainty that pharmaceutical industry in USA has grown really fast and has more possible to last better than bing status. US Pharmaceutical Industry has got some strength that really fuels up the industry on the whole.

Cost Decreases: the fabrication and development of drugs and medical specialty requires traveling through a figure of procedure and in order to derive the services company pays monetary value. American pharmaceutical

industry has great support of costs that eliminates their cost on other factors and consumes it for the quality production of drugs.

**Global Presence:** As a consequence of cost decrease, the American pharmaceutical market is developed and advanced ; furthermore, it has a planetary presence that provides the market participants to entree international market.

**Improved R & A ; D:** American pharmaceutical industry has been successful for its improved and advanced research and development in the field of pharmaceutical merchandises.

**Economies of Scale:** In US, many big pharmaceutical companies have entree to larger market by leting runing with big geographical attack. Therefore frequently American pharmaceutical companies are unifying and geting other international companies. As a consequence of amalgamation and acquisition, domestic market acquire maximal gross revenues and using new selling force ( Smith, 1991 ) .

**Strong Finance:** The pharmaceutical industry in USA has strong fiscal base that provides the industry strong point to turn and spread out.

**Increased Market Share:** Pharmaceutical industry in USA is one of those industries that occupies maximal market portion in all industry. The rapid growing in the pharmaceutical industry is carrying many investors to put their money in the industry.

**Assorted Synergies:** There are many joint ventures seen in the industry such as franchising, amalgamation and acquisition. As a consequence of <https://assignbuster.com/business-analysis-of-eu-yan-sang-international-limited-essay/>

synergisms, market acquires more chance for market and industry participants.

Advantages of Clinical Test: Clinical tests are one of the most of import parts of research and development in pharmaceutical industry and small advantage decreases the clinical tests extinguishing the success of drug. US pharmaceutical industry offers figure of advantages for clinical tests doing the research and development procedure smooth and successful ( Austin, 2008 ) .

#### WEAKNESS of US Pharmaceutical Industry

However, pharmaceutical industry in US is taking industry yet it has to confront some negative side and they are brought about failing of the industry.

High Employee Employee turnover: Pharmaceutical industry in USA has the highest employee turnover due to highest chances in the market. It creates exposure for the industry ( Kovner, 2002 ) .

#### Opportunity of US Pharmaceutical Industry

Licensing: There is a good chance in American Pharmaceutical industry as new companies are issued licence for lawfully origin in the industry following certain criterions.

Joint Venture: Companies in pharmaceutical industry have tendency to hold joint ventures and most of such joint ventures are successful.

Further Amalgamation: Pharmaceutical industry in USA has possible to unify with more than one or two companies. Therefore, it is seen that different companies like Merck Inc. , Co which has joint venture with more than two and three companies and had merged with its rival.

Organic Growth: The industry possesses the different concern enlargement as a consequence of increased gross revenues end product.

New Drug Development: As a consequence of immense investing in research and development industry is able to bring forth and develop new drugs merchandises. The development of new drugs production has created chances for non merely bing but besides for new companies.

#### Menace of US Pharmaceutical Industry

Besides the industry offers chances for companies but there are some factors that are making menace for the non merely bing companies but besides menace the new companies.

Competition: The pharmaceutical industry in USA is really competency due to frequent new entries, usage of progress engineering and new drug in the market. Tough competition makes the other companies to fight compete with new market and industry demands.

Rising Drug Cost: The rise in costs of prescription medical specialties affects all sectors of the wellness attention industry.

Growth in Generics Drugs: The growing in the ingestion of Generic Drugs affects the sale growing of branded drugs. In USA market, consumer prefers

to utilize generics drugs due to high cost of branded drugs. This factor threatens the growing of branded drugs makers ( Douglas, 2005 ) .

Drug Side Effect: In USA, drug is largely abused and consequences as side effects. For this FDA has banned the general prescription of that peculiar drug which affect negatively on the gross revenues of the company.

## **Government Constraints/Incentives**

U. S is able to set up a better and competent pharmaceutical industry as a consequence of a sophisticated ordinance systems featured by new advanced engineering, well devoured on biomedicine, furthermore endorse new therapies in the signifier of authorities support for research and large patient markets covered by third-party insurance. By the ordinance plan, authorities intends to do the distributors and makers to follow the standardised regulations and ordinance that comes under provinces jurisprudence.

### **Government Constraints in USA**

In USA, authorities organisation FDA ( Food and Drugs Administration ) charges 1000000s of dollars. These charges are paid in the name of user fees that are charged to rush up the drug blessing procedure. These fees or fund are now more than half the critical drug-review procedure of bureau. These fees are changed after every five old ages after dialogue between industry group and FDA. There are high charges on the enrollment and labeling of new drugs by FDA ( Douglas, 2008 ) .

### **Government Incentive in USA**

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In USA, authorities has given many inducements to pharmaceutical importers and distributors. Harmonizing to this, distributors and druggists in America are able to re-import drugs prescription in the United States every bit long as the drugs run into rigorous safety criterions. Furthermore, distributors and druggists are able to buy drugs at the lower monetary values and after that can go through the large nest eggs along to American consumers. A Another jurisprudence gives the druggist and distributors to hold less expensive medical specialties from anyplace in the universe by mail order. Now pharmacists and drug jobbers are able to re-import FDA approved prescription drugs that is antecedently manufactured in the US. Government has besides made it easier for persons to import low monetary value prescription drugs from other states after rejecting a more sweeping proposal to allow immense imports by drug jobbers and pharmaceuticss. Furthermore, importers are able to import drug from 25 states where the same medical specialties are sold at a fraction of the U. S. monetary values. IF drugs are manufactured in USA, it could be imported or re-imported from Canada, Australia, Israel, Japan, New Zealand, Switzerland, South Africa, and European Union states.

### **Laws/Regulations/Admin Practices**

The ordinance of pharmaceutical agencies authorities duty to guard the public wellness by modulating the behaviour of the private sector ( Kovner, 1990 ) . For this intent, authorities must guarantee the quality, efficaciousness and safety of medical specialty produced. The intent of drug ordinance is achieved through implementing such construction that functions as an organisation to modulate the Torahs. In U. S. , there has been an



organisation FDA ( nutrient and Drug Administration ) that is responsible to turn to the affairs of pharmaceutical industry. The U. S pharmaceutical industry has been late confronting the unfavorable judgment of drug monetary values. However, Torahs and ordinance of U. S authorities offers great chance to concern of pharmaceuticals to turn and set up good. The authorities of United States offer first-class measurements of similarity and difference that put visible radiation on the invention to ordinance. The function of the authorities as regulator has varied significantly, with the U. S. FDA centralizes safety regulative authorization.

FDA is responsible to make common ordinances, and peculiar pharmaceutical blessing demands, execution actions, and voluntary conformity activities. The United States Code of Federal Regulations defines the FDA. Harmonizing to this, the FDA is obliged to do an attempt to hold sustainable transparency. Good Fabrication Practice ( GMP ) ordinances are issued for nutrient, drugs, and medical devices. The entity regulated by FDA is non in the conformity with GMP ' s and other demands. Law of State besides defines that there are different Torahs and ordinance for importers and exporters of drugs. In USA, drugs industries are to follow different ordinance harmonizing to which makers or distributors are required to acquire registered paying a peculiar fee by FDA.

Pharmaceutical importers can be detained at the point of entry if they are non in the conformity. This is done by the cooperation between the FDA and imposts functionaries of the Department of the Treasury. New drugs or medical device that is related to marketing blessing, in such instance FDA has right to worsen or retreat selling mandates of merchandise as a agency <https://assignbuster.com/business-analysis-of-eu-yan-sang-international-limited-essay/>

for enforcement. Furthermore, it can besides transport out the administrative trade stoppages of peculiar merchandises that are considered to go against the jurisprudence. For some certain misdemeanor there are money punishment. The conformity takes topographic point by voluntary actions by duteous houses, and the FDA has ordinance guidelines that are applied on merchandise callbacks. Often legal undertaken with regard to GMP and safety is non required as warning letters and voluntary undertaken is normally efficaciously. Any drug that is prepared and packed under unhygienic conditions ; the FDA blocks or bans the entry of such drugs into United Sates. Through this ordinance, American authorities has endeavored to forestall any sort of insecure drugs and oblige the foreign companies to follow US demand for drugs fabricating.

Harmonizing to States jurisprudence, if a drug is eligible for commercial distribution within the States so it can be exported without any extra blessing or engagement of FDA ; these drugs must be registered and listed in the “ Orange Book ” . On the contrary, a drug unapproved or non allowed for commercial distribution within States, it can be exported. There are some certain standards for the exportation of drugs from USA such as it must be harmonizing to specification of the foreign purchasers, run into the demands of the peculiar state, labeled on the exterior of the transportation bundle, non distributed or sold in local market. In add-on, exporter transportation from USA has to carry through either the Torahs of FDA or of the importing state that can be comprehensive plenty to guarantee the safety.

Nevertheless, the Torahs of U. S. allow the exportation of unapproved drugs to really developed states that presumptively rely on the high quality rating

of the listed states. Those listed states are Israel, Australia, Japan, New Zealand, Canada, Switzerland, South Africa, and the EU members states and the European Economic Area ( EEA ) . Yet there are certain standards for unapproved drugs to be exported ; those standards are of FDA criteria for GMPs. The high criterion of exportation of unapproved drugs from USA is not applied for other drug regulatory systems. If a drug is developed for the use in developing states, it is not necessary that it should be tested in developed states.

## **Business Schemes**

The United States of America has the largest pharmaceutical, biopharmaceutical and medical device market in the world. Though there are tremendous growing possibilities, yet in order to do the most of the advantages in this market, superior engineering is the key point of this battle. However, the pharmaceutical concern in USA is extremely profitable but it is much about the potency for hazard looms big. To win in the American pharmaceutical market, there needs the right market scheme, usage of resources and penetration.

### **6. 1 Product/Service Positioning**

Product and service placement is closely about the market section of a merchandise and services offered by a company. The creative activity of alone and consistent merchandise image that is recognized by the clients is the positioning selling chances of merchandises. In USA, there is restricted Torahs and ordinance sing the advertisement and labeling of pharmaceutical merchandises. The ordinance of FDA of medical merchandises is based on scientific discipline, province jurisprudence, and public wellness  
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considerations. The ordinance of labels and advertisement revolves around the attitude, application, benefit, monetary value and degree of quality of merchandises. However, this aims to aim the specific market yet there is proportionate degree of use.

American pharmaceutical market intends to integrate superb technology and merchandising of merchandises in America demands to be used effectual strategic projects. In order to last in the American pharmaceutical market, there should be a comprehensive cognition of market civilization because a deficiency of understanding market civilization can do an awkward failure. The most of import portion is the beginning point and awkward entry in US market can easy pulverize the overall trade name ' s image. In footings of appropriate contacts, American pharmaceutical, biotechnology and medical device companies are often non easy accessible. Furthermore, American purchasers are of course risk-averse and are likely to make concern with good known and dependable engineerings and providers.

The drug trade name scheme in America is followed as putting up a physical presence base on the operations, set uping a direct point of contact that links the direction to establish operations, researching the partnership relationship, implementing market plan, enrolling and developing the forces and developing the specialised distribution channel. In USA, pharmaceutical industry seeks partnership relationship, and expression for services. They need a group understanding and to prove the merchandise. Even the client is loath to work with an unfamiliar provider who holds no local presence and besides has small or no experience in working with other American clients.

## 6. 2 Pricing Scheme

Pharmaceutical industry which is largest industry in the universe in footings of gross revenues and besides for per capita ingestion, in 2005, the United States of America holds more than 40 % of the whole market portion in this industry. There are some of important factors in the industry that distinguish it from the other market in the universe such as free pricing policy of medical specialties which is rather unusual in other markets, high ingestion of medical specialties, intensive selling activities, and intensive competition.

To come in into American market is likely to develop a new concern, a new trade name and acquire clients ' trust and acquire the cardinal buying determination. On the other manus, despite America is one of the largest pharmaceutical industries in the universe, there is no direct monetary value control for non-government drug gross revenues at present. Therefore there has been a great force per unit area on the turning cost of drugs. As a consequence of rise in cost of drug, the merchandise and service placement in pharmaceutical industry of import participants are seemingly fighting to increase the sale of their merchandises.

The United States of America has, unlike other developed states, non extensively implemented reference-based pricing. The pharmaceutical policy shapers considered its enforcement into the Medicare Modernization Act in approximately 2000-2003 ; on the other manus they finally could non make so.

In malice of the deficiency of the enforcement on the federal degree, the mention pricing has been included into the cost containment processs in

other organisations. In 2004, WellPoint announced that it used a mention pricing prescription drug benefit. In the beginning it was available for Blue Cross and Blue Shield of Georgia members and subsequently expanded to Blue Cross of California and the Michigan Medicaid plan besides picked up a signifier of mention pricing. Conversely, a really small research has been seen in the usage of mention pricing in the U. S. scene, as its usage has non been widespread.

### **6. 3 Distribution and Logistics**

#### The Drug Distribution System in USA

The drug distribution system in USA is comprised of two category system. The two-class system in the United States gives the drug distribution system as a dynamic attack that ensures that consumers get entree to all cardinal medicines. However, there are some medicines and drugs that required physician ' s prescription ; for others that holds a big border of safety. Furthermore, it can be employed right based on the information given on the label of medical specialty, and no prescription is required for this. The two-class system patent by prescription and nonprescription, or over the counter ( OTC ) , medical specialties are the cardinal rock of a scientifically thorough drug distribution theoretical account regulated by the Food and Drug Administration ( FDA ) of U. S. The two category distribution system of USA is rather different in the universe ' s other system and unlike the centuries-old pharmaceuticals category system of other states. However, a 3rd category, in other word druggist category, produced yet another health care disadvantaged people in the state ; those with no convenient attack to a druggist. Recently FDA has declined a 3rd category or passage category of <https://assignbuster.com/business-analysis-of-eu-yan-sang-international-limited-essay/>

drugs, backing up a public wellness demand for a pharmaceuticals or pharmacist-only category of medical specialties has not been shown up. In 2005, the American Medical Association invariably has reaffirmed the endorsement of the current two category distribution of drug system and resistance of a 3rd category of drugs.

### The Drug Logistic System in USA

American Drug Logistics system place has ever been advanced in the universe and an illustration of efficient logistics direction for the universe that helps to better operational efficiency in the pharmaceutical industry.

### **American Drug Logistics Model**

There are five degrees of drugs jobbers in USA, which besides includes the top three of them such as AmerisourceBergen, CardinalHealth and McKesson that have more than 90 % of the entire market portion of U. S. On the other hand, other pharmaceutical retail merchants like RiteAid, Walgreen, and CVS ; these three companies have been monopolising the 60 % of market portion. The present cost of U. S. pharmaceutical distribution is 3 % and the net income border of 2. 4 % . 65 % of the entire prescription drug concern in the United States from the sweeping distribution, pharmaceutical distribution houses requires turning on day-to-day norm of 250, 000 orders, 10 million messages distribution, 125, 000 distributors, 95 % of response rate and truth rate of 99 % . The cost of distribution order entry is merely 0. 3 cents.

Johnson & A ; Johnson, one of the largest companies in the USA, has a 3 RS in New Jersey, and histories for 14. 9 billion orders processing of drugs and

drug distribution, working with merely 160 workers, and distribution costs about 0.5 % of pharmaceutical gross revenues.

## **American Drug Logistics Information Technology**

The information engineering transmutation of drug logistic system of USA is traditional endeavors, and the efficiency of drug logistic system in the United States is the ERP concern application. With the advantages of work norms, smooth flow, vulnerability decrease, ERP has specified ends to accomplish the scientific direction of drug procurance process, gross revenues process, finance and accounting, determination analysis systems for real-time control, resource sharing, and enhanced drug logistics direction degree.

The development of cyberspace has helped the ERP system to increase the degree of supply concatenation direction functionality every bit good as client relationship direction. In add-on, it aims to accomplish production of drugs that accepts the alterations in circulation forms, pharmaceutical production, direction, and operations are automatically connected together, from wasted stuff procurance to gross revenues of drugs, and all of the information on the web organically incorporated, and more forming the American drug logistics information as a taking place in the universe.

## **6.4 Promotion and Advertising**

Promotion and advertisement merely like other merchandises are besides used for drugs and medical specialty. In USA, there are chiefly two ways used for advancing and publicizing a drug. In first manner, physician is straight approached by gross revenues and representatives and 2nd manner, commercial advertizements are used as direct to clients. Through



direct to client publicity and advertizement, advertizers try to stay concentrate on their nonsubjective by finishing their message and non misdirecting. In USA, there most frequent tendency is to utilize commercial advertisement in which clients are straight addressed to utilize the merchandises. For this intent, many pharmaceutical makers non merely consume majority of money but besides seek to utilize all type of medium to do the publicity run successful including gross revenues representatives and sponsorship of educational events. In 2002, pharmaceutical industry in USA spent about US \$ 21 billion on the publicity.

However, there are some certain standards that FDA has set up for pharmaceutical makers and distributers to follow. Harmonizing to this criterion, advertizers are obliged to convey accurate and full message in their advertizement. On the other manus, merely 65 % of newspaper and magazine advertizements were found to run into the demand of FDA and 42 % of advertizements were found go againsting the prescribed criterion of FDA. Besides, there are many other who could non run into this criterion of FDA.

## **6. 5 Estimated Sales/Sales Mix**

In 2002, the estimated gross revenues of pharmaceutical was \$ 430 billion and 90 per centum of all prescription drugs and certain OTC ( nonprescription ) merchandises were included in this in more than 70 states and the United States of America has 51 % of all gross revenues in the worldwide. In 2002, more than half of all gross revenues in the USA were for patented prescription drugs, with the other half parted near between generics and OTC drugs. Furthermore, in 2002, Lipitor, high cholesterin drug, <https://assignbuster.com/business-analysis-of-eu-yan-sang-international-limited-essay/>

has sale of \$ 8. 6 billion in USA. In 2001, USA pharmaceutical market with about 45 drugs earned one-year gross revenues of over \$ 1 billion each.

## **6. 6 Production/ ServiceA Strategies**

The U. S. pharmaceutical industry is able to accomplish worldwide prominence through strategic research and development on new drugs, and consumes a comparatively high sum of its gross on Research and Development utilizing advanced engineering. In USA, every twelvemonth pharmaceutical industry spends 1000000s of its gross for proving 1000000s of compounds, yet may at last introduce less than 100 new prescription medical specialties. Using modern and beforehand engineering along with extremely skilled and good profile employees, pharmaceutical industry in the USA is the most successful industry using extremely strategic production of drugs and medical specialty. Since the production and fabrication of drugs involve the usage of new and extremely advanced engineering and machine, along with intense research on the drugs substances, American pharmaceutical houses are really acute guaranting the all positions of bring forth an effectual and cost deserving prescription of drugs.

The find of new merchandises by utilizing scientific research and to presenting betterments and alterations in the bing one, bulk of pharmaceutical houses are utilizing their ultimate energy to vie the market. The research and development procedure in the fabrication of drugs is the most complicated as it involves the testing of 1000s of new chemical compounds and discoveries those which have potency to forestall, battle, and cut down the symptoms of diseases and other wellness jobs. For this intent, industry in USA uses extremely sophisticated and scientific  
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techniques such as computing machine simulation, combinative chemical science, and high-throughput showing ( HTS ) , in order to rush up and simplify the find of potentially utile new compounds. Most of the companies in the industry usage a significant portion of their research budgets to applied research, using scientific cognition to bring forth a drug targeted to a peculiar usage. Research and development plan chiefly concentrate on the development of compound that efficaciously slow and eliminates the chest malignant neoplastic disease. If the proving stage comes up with utile compound the proficient squad attempts to develop an effectual and safe drug base on the testing.

The method of showing is important in the respect of merchandise development as it is used to prove new merchandise in development. In order to test an antibiotic a screening sample is first put in a bacterial civilization. If antibiotic is found effectual and utile it is further proceeded to prove on septic research lab animate beings. The intent of carnal research lab is to analyze the tried sample as an effectual and safe merchandise for animate beings. A drug that is found really effectual to be tested on homo is selected to prove on homo after sing the safety and efficaciousness facets. However, drug showing is hard and expensive procedures as merely 1 testing trial in 10, 000 compounds are successful and effectual compound.

After proving carnal the drug is passed on to the U. S. Food and Drug Administration ' s ( FDA ) Center for Drug Evaluation and Research ( CDER ) . They evaluate the public presentation and efficaciousness of drugs on human patients before O. K. ing the compounds for commercial usage. The procedure from research and proving to blessing of FDA takes about a <https://assignbuster.com/business-analysis-of-eu-yan-sang-international-limited-essay/>

decennary and cost 100s of 1000000s of dollars. After the blessing of FDA, the following procedure is to production method of the drugs and the cost estimated for its production. If the first research lab procedure of doing and intensifying the elements is hard and really expensive, chemists, chemical applied scientists, boxing applied scientists, and production specializers are allocated to bring forth a fabrication procedure that is cost-effectively flexible to mass production. After the drug is released for selling, new production methods are researched to develop utilizing new engineering or alter the production operation of new production.

## **Fiscal Planing**

Fiscal Goals: The Company has established some of its fiscal ends cognizing that the United States is the universe ' s largest pharmaceutical industry. In 2007, the pharmaceutical gross totaled at US \$ 315 billion[ 2 ].

To present the merchandises of company in US market and doing the most of competitory advantage of the Industry environment.

To hold improved merchandise sale by utilizing effectual selling mix

To set up a franchise distributors in urban countries particularly in metropolitan metropolis.

Fiscal Datas: The initial sum required for get downing a franchise in metropolitan metropolis is \$ 7, 500 and this sum does non include other sum such as transforming a topographic point into franchise or drug shop.

Analysis and Evaluation of Company ' s Financial Status: The gross net income of the company group by the terminal of fiscal twelvemonth of 2010 is 1 24, 453, and operating net income is 2 3, 266. The gross of the company group increased S \$ 244. 7 million as compared to S \$ 222. 5 million which made 10 % . The addition is chiefly mensurable to the addition in retail gross revenues in all our 3 nucleus markets, Hong Kong, Singapore and Malaysia. Cash and bank balance of the group is 33, 899 and Company ' s is 1, 284 ( EU YAN SANG INTERNATIONAL LTD, Unaudited Financial Statements and Dividend Announcement[ 3 ] ) .

### **Cost Analysis/Funding/Cash Flow**

In order to get down a pharmaceuticals franchise in the United States of America, the initial sum required is \$ 7, 500 for Express format and \$ 12, 000 for Full line franchise fee. On the other manus, costs of transforming an bing apothecary's shop to a USA or Super D Franchise can be dramatically less than supra. The cost of buying a ace D apothecary's shop will change significantly harmonizing to the unit that ranges from 1, 800 sq. ft. to 10, 000 sq. ft. typically new 2, 000 to 3, 000 sq. ft. and entire cost USA/Super D franchise is from \$ 121, 000 to \$ 201, 000.

Another conventional 6, 000 sq. ft. and entire cost of USA/Super D Express franchise is from \$ 262, 000 to \$ 402, 000. The transmutation of an bing apothecary's shop into a USA/Super D Franchise can be dramatically less than supra. To hold an single franchise, the fee is 3 % of gross grosss, excepting gross revenues revenue enhancement. In order to publicize the franchise and hive away 1-1/2 % of gross grosss into the USA/Super D

Advertising Fund is included.

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## **Undertaking Net income and Loss Statement**

In the United States of America, franchising is one of most vivacious and effectual systems for distribution of pharmaceuticals drugs and medical specialty known today. Since it provides a good chance for distributor, it combines all concern thrusts and aspirations with the expertness and experience of a big company. In USA, franchising in pharmaceuticals is resulted as honoring partnership of two parties involved.

Franchising is a sound investing in pharmaceuticals industry different surveys have shown that franchising with good advertisement scheme can be successful as it grows greater and greater increasing the value of company. In USA, the authorities statistics shows that rates of franchise failure is lower than other concern holding franchise.

Pharmacy franchising in USA assures more net income than loss as it combines all the members of squad to run into common ends. Because franchising increases the sale of company and image of company while lessens the excess disbursements. On the other hand, there are certain provinces regulations and ordinances that protect the involvement of chances and there is unafraid investing in franchising in USA that besides reduces the chance of loss.

## **Management Considerations**

As a consequence of unprecedented upheaval pharmaceutical industry in USA different alterations has been observed in market. Now new consideration is given to strategic planning exercising to accomplish effectual direction in pharmaceutical industry.

## **8. 1 Personnel / Gross saless Force Factors**

In order to run and run pharmaceutical franchise in USA, there needs qualified and skilled forces and strategic gross revenues force that enable all the operation successful. Since client satisfaction is an of import component of pharmaceutical franchise therefore the addition sale of drugs will depend on the client satisfaction and clients ' satisfaction is related to skilled forces and their public presentation to heighten the affectivity of franchising.

## **8. 2 Business Advisers**

There are Numberss of advisers and professionals who provide professional helper in get downing a new franchise. They offer their service from location of franchise to its constitution.

## **8. 3 Contingency Plans**

However, the regulations and ordinance of provinces protects the franchise investors in USA, even if things go incorrect and franchise is proved non to be successful it can be sold once more even same market portion can be gained back from market.

## **Decisions / Recommendations**

In USA, pharmaceutical industry is the fastest turning industry including fabrication, and distribution. USA ranks among those states where this industry is lifting every twelvemonth with its more and more gross revenues. In such instance making a concern venture like pharmaceutical franchise in America could perchance be hard and hazardous ( due to miss of understanding the system ) but if the provinces Torahs and ordinances are exhaustively analyzed and understood so this venture could be successful

and productive in footings of gross revenues. For making this venture, there needs to make place undertaking which is designed to measure the American pharmaceutical industry and American franchising industry. The apprehension of both as assessed in this paper concluded as instead expensive but at the same profitable. Since the industry is good developed in America and there are already many companies in the American market, the procedure of acquiring ain topographic point can be mostly hard and clip taking if non planned decently. There is so much competition even in the distribution of drugs and clients do non acknowledge a company ' s merchandise if it is non familiar, in this state of affairs holding franchise would necessitate to follow effectual and long permanent gross revenues schemes. However, Eu Yan Sang Pte Ltd Company is internationally recognized yet American domestic market is non familiar with the company repute and holding franchise will necessitate to come into a partnership with other bing company in America.

The advantage of a partnership with another bing company means equal part and portion of investing and equal portion in loss or net income. There are already many companies in America that are working together under partnership and utilizing each other potency to increase and prolong the demand and sale of their pharmaceutical merchandises. On the other manus, partnership plan is better option because the domestic company is cognizant of local entities and moreover, understands the demands and demands of system. In such instance, Eu Yan Seng Pte Ltd Company can salvage much of its money on the probe and research on the local market and local industry. Furthermore, other of import factors, such as gross



revenues forces, forces, advertisement and publicity, that besides needs exceptional attending and energy to do a venture successful, accomplishments and human beginnings of the partnership company can be utilised or can depend on the portion of the cognition. Finally, Eu Yan Seng Pte Ltd Company will be ready to hold a successful start. The choice of domestic company is besides really of import for partnership because a company with bad repute and unapproved pharmaceutical merchandises can negatively impact the image of the Eu Yan Seng Pte Ltd company which has non introduced herself in the local market yet. In the respect of choice of the company for partnership, the of import thing that matters to do this venture successful is the concern history of the company, figure of merchandises, merchandises ' repute and success of merchandises in footings of sale ad moreover, company ' s scheme must fit with the Eu Yan Seng Pte Ltd Company.