

Alliance boots pestel analysis business essay



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The global pharmaceutical industry has been overwhelmingly changing in the last decade creating rigorous globalization and increased competitiveness. The global market shares are creating new challenges for pharmaceutical companies strengthening the consolidation of the world pharmaceutical industry through alliancing and acquisitions as a strategic orientation for global pharmaceutical companies.

Many global companies including pharmaceutical believe that alliance will not only create awareness but will also create successful strategic collaborations capable of creating more global interaction opportunities and integration with other markets.

The aim of this report is to explore Alliance Boots future strategic directions.

Organisation Background

It is a multinational company with strong recognition and reputation as one of the leading pharmaceutical and beauty companies in the world. Alliance Boots revenue is more than £22.5 billion in excess; it also has various outlets in more than 20 countries.

Alliance Boots core areas of business are pharmaceutical and beauty, formed in 2006 as a merger Boots Group and Alliance UniChem and recently a global merger with Walgreens.

The company main purpose is to help its customers to look and feel better than ever, by providing exceptional customer and patient care with great value for its customer.

Product brands

Alliance Boots Pharmaceutical Wholesale Division is experiencing a rapid growth and global sales; the company believes that its product innovation and development competences are some of the resourceful factors, which enable the company to develop new and existing products for global consumption. Some of these products are, No7, Soltan and Botanics, 17, Almus and Alvita that were successfully launched in recently.

Organisation Structures

Alliance Boots have over 185, 000 employees and numerous pharmaceutical outlets. The aim of the company is to work closely with manufacturer of pharmaceutical, beauty and health products and use experienced pharmacists to provide services to their customers. Alliance Boots headquarters is in Zug Switzerland.

Alliance Boots Strategy Options

It is important that when a global business organisation wants to adopt a sustainable development strategy for its products and brands, such strategy needs to be applicable across a wide range of different product types, also has to be flexible to cope with the rapid turnover of products.

Alliance Boots also believe that:

The strategy also has to be robust so as to be able to cope with the main three routes by which products are introduced at Alliance Boots(own manufacture, third party supply of Alliance Boots brands and proprietary brand).

Its strategy must provide leadership on where and how improvements and such improvement must be commercially successful.

Marketing strategy

Alliance Boots believe that by putting its customers first for all its pharmaceutical and beauty products with outstanding quality and service at a competitive cost will help the company to achieve excellent profitable margins in the global competitive market. Its unique strategy will also help Alliance Boots with continue profit growth through a balance of strong global sales growth.

Ansoff's Matrix

Ansoff's Matrix is a unique marketing tool, which provides strategic choices to business organisations in order to achieve the objective for growth.

Ansoff's Matrix has for main categories namely:

Market penetration: Market penetration creates a good avenue for a company like Alliance Boots to sell existing products into existing markets. It is important for Alliance Boots to continuing promoting its product with the new features and good quality . This is helping Alliance Boots to invest heavily and focus more on research and development in new market research creating more distribution channel.

Market development: Alliance Boots uses Market development as a growth strategy to sell its existing products into new markets, including new geographical markets; for example product exportation to a new country. It also includes new product packaging new distribution channels (e. g. Boots

Pharmacy stores across UK and selling via e-commerce and mail order). Its ability to target new market makes Market development a unique strategy.

Product development: Alliance Boots uses Product development as growth strategy creating a unique avenue for its business to introduce new products into existing pharmaceutical markets with great expectation that they will gain more customers and market share. Such strategy may involve the development of new capabilities and requires Alliance Boots to develop modified products, which can appeal to existing markets.

Diversification: Alliance Boots Diversification strategy allows the company to diversify easily to another geographical market. In 2012, Alliance Boot acquired Nanjing Pharmaceutical Company Limited; Nanjing has a strong market position and operating distribution centres in 12 cities and across eight provinces in China. Such diversification into China Pharmaceutical market now makes Alliance Boots, as the largest shareholder is Nanjing Pharmaceutical Group Limited creating new products and opportunities in the Chinese market.

Alliance Boots SWOT Analysis

Alliance Boots Swot analyses are:

Strength:

Alliance Boots has an excellent and long-standing relationship with all its customers.

The company also has a strong historical reputation for all its quality, using nectar card to gather customer intelligence.

Availability of Boots Pharmacy stores everywhere in the UK and Europe.

Weaknesses:

Due to strong competition with other pharmaceutical companies in the global market, Alliance Boots is struggling to cope with the increased competition in the market.

Opportunities:

Alliance Boots continue to use the internet opportunity to keep increasing its presence by using online shopping to transact with its domestic and global customers.

Using its retail stores advantage across the global market such as Boots Pharmacy to create the right products with right combination of price and promotion to achieve the firm's aims of long-term growth.

Threats:

The major threat to pharmaceutical industries including Alliance Boots is the government higher tax on the price on medicine that Alliance Boots and other retailers must deal with.

Porter's Five Forces:

The five forces of Porter can be used to make an analysis and attraction of business organisation structure as follows:

Supplier Power: It plays important role in competitive force, more suppliers one can greatly increase its bargaining power with these suppliers. For example, Alliance Boots successfully bargained with over 80 suppliers to lower prices of some of the drugs they sell over the counter in 2007.

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Buyer Power: Increasing customer loyalty is a way of reducing the power of the buyer, the introduction of nectar card by Alliance Boots is a way to reward its customers. Because of this, it allows the buyers to save considerably. It also allows Alliance Boots to capture useful information and monitor consumers purchasing habits.

Threats of New entrants: There has been huge increase in the number of new entrants in the pharmaceutical marketing making difficult for Alliance Boots to expand in the way the company wants. For example, Tesco is planning various new supermarkets across Britain that would restrict Alliance Boots ability to expand. This poses a real threat, which means that Alliance Boots need to change its marketing strategy with possibility of reducing prices through advertising.

Threat if substitute:

In order to save money many businesses may decide to outsource their products and service to another company at a cheap cost. Alliance Boots did not outsource its products and services; instead, the company IT department was able to make changes in the way customers pay for their products by replacing its traditional till machines to touch screens capability giving customers a faster way to shop on their own.

Competitive Rivalry:

This affects many businesses in terms of price competition and products identification. For example, other rivals in the business like Lloyds Pharmacy, Superdrug are expanding rapidly. Because of this, Alliance Boots are constantly improving its stores marketing strategy making its products more

affordable and available everywhere in the UK and continue to provide outstanding customer service.

Alliance Boots PESTEL Analysis

Political Factors: Various political decisions can have a huge impact in the business operate and its performance. For example the impact of government UK policies on the business allowing some major supermarkets to open numerous pharmaceutical stores within their stores. The government believes that such policy will increase NHS services and improved healthcare. Such move will not help Alliance Boots, instead, it will create a huge competition, which will eventually make Alliance Boots to lower its products prices and operate for longer hours.

Economic Factors: The global economic recession is badly affecting every business sector including healthcare, with many businesses suffering. There has been a huge increase in the prices of global healthcare affecting the way customers spend and how much they want to spend in buying healthcare products especially Beauty products. In addition to this, the rising fuel costs also have a huge impact in the supply chain channel of Alliance Boots leading to an overall price increase increasing prices and passing over the cost to consumers.

Social Factors: the prices of its The social factors is creating more awareness about how everyone should take care of himself or herself through, exercise, eating habit, type of food that is good for the body and many more. For example, government campaign that is promoting healthy eating (eatwell.gov.uk 2012 online) as a result in the rapid increasing level of obesity within

the UK (Department of health 2012 online). Such information is boosting Alliance Boots sales by encouraging its customers to try its healthier products at a cheaper price than other companies.

Technological Factors: The evolution of internet is helping online retail sales, Alliance Boots is making use of the internet technology to its advantage with internet is now generating more than a third of all revenue for Alliance Boots products and services.

Alliance Boots Centre for Innovation is investing hugely for the development of inventive products and technologies that focus on:

Ways to diagnose treat and monitor key aspects of health, beauty and wellbeing.

Providing positive support to ageing products and working very hard to produce new products.

Environmental Factors: Many countries are now committing to green energy ever than before due to the risk of global warming is becoming a reality, Many companies like Alliance Boots have been told to play key role in reducing carbon footprint and increasing energy efficiency (Bream 2008). Because of this, Alliance Boots will have to invest more on greener products (selling of organic healthy product) and reducing their impact of carbon footprint on the environment.

Legal Factors: There are various legal issues that are facing the way companies operate globally, for example, Alliance Boot Cases include application to European Court of Justice in sex discrimination case of Neath <https://assignbuster.com/alliance-boots-pestel-analysis-business-essay/>

versus Huggins & Bosford Limited. New laws keep emerging everyday especially on healthy product and drinks, which mean Alliance Boots will have to be more cautious about its packaging and labelling policies, which will be extra financial liability on the Alliance Boots.

Globalisation Drivers

The drivers of globalisation can be classified into

Market Drivers:

Increasing travel create global consumers

Growth of global and regional channels

Establishment of world brands

2. Cost Drivers:

Fast-tracking technological innovation

Transportation and distribution channel

3. Government Drivers

Reduction of tariff barriers and non-tariff barriers

Privatisation in previously state-dominated economies

4. Competitive Drivers

Strong rise in global strategic alliances with other companies.

Rise of new competitors with intension of becoming global competitors

Future Strategic Partnership

Walgreen Co., US largest drug store chain is the latest future strategic partnership and direction that Alliance Boots is taking. Under this new strategy, Alliance Boots and Walgreen Co are bringing together the strengths and proficiency of both companies to create the first global pharmacy-led, health and wellbeing enterprise.

Recommendations

In order for Alliance Boots to maintain its global presence and continue to be one of dominant forces in the Pharmaceutical companies, the following are the vibrant future strategic direction that Alliance Boots must take for its business.

Delivering of new innovative medical research using the next generation technology.

A new global approach to marketing by sponsoring various events related to wellbeing of Alliance Boots customers.

Expansion of general merchandise ranges which in return will create sales with greater growth potential and effectiveness.

Conclusion

In conclusion, strategic management with a dedicated market focus is a driver to build a successful future globalization and merger processes of pharmaceutical industry. The greater the strength of the competitive drivers, the greater the tendency for an industry to globalise.

Alliance Boots continues to internationalise its key product brands, selling them to distributors, independent pharmacies and retail partners including online shopping sites globally.