Teva pharmaceutical: global strategy

[Business](#)

Why did such a company emerge in that context? How did TVA set itself apart from other players? The fact that many immigrants from Europe -In the beginning of twentieth century- with remarkable knowledge in the pharmaceutical Industry allowed many local physicians to acquire the know-how of the business and the specialized skills to develop a domestic market In Israel.

The recognition of the synergies between these local family businesses with foreign scientists and engineers coming from Germany – now as the birthplace of the pharmaceutical Industry- got TVA to succeed In Israel.

Moreover, In 1970 Foreign Direct Investment (FAD) was restricted to less than 5% of all Investments In Israel, so the domestic Industry had no foreign competition.

The acquisition of talent and the absence of large foreign competitors led approximate 20 family-owned drug distributors to share the domestic market after World War II, with each of them having SUSHI million of annual revenues. TVA had to serve a population of around 2 million people in an industry context that squired synthesis skills, experience with supply chains, and low-cost production and manufacture, since they provided drugs to a population with high poverty levels.

The company emerged first: thanks to the knowledge taken from immigrants, and second, due to its ability to recognize key academic institution partners to work with: Jewish universities, for instance, which helped the company to perform R&D and enter to the innovative market with a budget of 16%-25% less than the typical budget required to bring an innovative drug to the market and less development time. The notable clarity respect to being a focused firm instead of a conglomerate, gave the company a guide to concentrate its effort on specific firms to acquire and be successful.

At the same time, Hurwitz vision of “ taking risks but not ones that risk the entire company” is noted in each of the acquisitions the company would go for over time.

What differentiated TVA from other players In the Industry was Its ability to executing acquisition deals with companies In Its target markets and Integrating them well. For instance, In USA TVA enabled companies to reduce their own Internal sots.

It also provided inventory management and always guaranteed the lowest prices, TVA focused on the USA market at first and then moved slowly to new markets, but always keeping Its low-cost culture, cleaving scale benefits In Its supply chain, sourcing more raw material than Its competitors, and operating labor processes in India. TVA used to adapt its supply chain from time to time and after every acquisition, and localize management and marketing in each region to provide vocalizes products succeeding on exploit knowledge of local consumers. A quick, aggressive and effective litigator, which provided it higher margins during the exclusivity period.

If you were a member of the strategy team at TVA, which markets would you recommend the company to focus on as it charts its growth strategy? Provide a clear rationale for your choices. TVA has to face several tradeoffs in its model. Until now, the company has successfully entered to USA, Western Europe. With the acquisition of Visa, the company marked presence in Latin America and Eastern Europe as well.

As a member of the strategy firm at TVA, I would recommend focus on emerging Mounties in Asia and Japan, and adopt a strategy beyond the simple tactic of " wait- and-see", with which has had little presence in these markets. Another interesting fact is that, in the regions beforehand mentioned, governments are dealing with ageing population and they are increasing efforts to get drugs at low prices, so it is expected that demand for generic market raises.

Another tradeoff to face is if the company would keep on producing generics only, or if it would invest and introduce new bookmobiles, or if it would definitely enter to the innovative market. In this respect I would recommend keeping the generic market in USA giving the very good position TVA has in this market and the competitive advantages regarding AND and the 180-days exclusivity period. The crisis in Europe is also a good indicator to continue focusing on generics, since governments are looking for cutting costs and generic drugs could be highly demanded.

The introduction of bookmobiles to Latin America and Eastern Europe would be strongly recommended. In these regions there is a high competition level of generics but it less competitive in basilar market.

Also, gross margin from basilar is much higher than generics and barriers to entry are fewer than in USA for instance. Innovative firms in these regions would be less successful giving the fact that consumers do not have the willingness to pay high prices.

Finally, if the company would go for innovative market (especially in United States), it is necessary to establish a new strategy in order to ensure the most accurate allocation of resources since R&D is the key in this market. In 2006, the company invested around 6% of sales in R&D. Innovative market is riskier since research squires high money investments but could lead to nothing. Meanwhile, with the same resources the company could produce more low-risk generics.

For this goal to be completed would be necessary to created separated divisions for innovative and generic drugs.

On the other side, TVA has already a good experience withCapstoneand Collect, and what is more important is that it has the know-how, an efficient supply chain, and the knowledge of how to challenge patents so the company would be able to make things a little more difficult for other generic companies trying to halogen Tepee’s patents. Companies like TVA? As a big pharmacy, a defensive weapon against companies like TVA is found in having strong intellectual property laws.

Now, TVA and many other generic companies have been successful in taking advantage of compulsory licensing and usually they wait for patents expire to rapidly take the share market. Big pharmacy could take advantage from their current patents and compete more aggressively in the generic market by launching their own authorized generic version of drugs.

Another way big firms can protect themselves from generic companies is by obtaining new patents on drugs whose original patents is about to expire;

this way generic companies would see the introduction of their equivalent products delayed.

Another aggressive way to beat companies like TVA would be by questioning the quality of the generics and undermining the correspondence or equivalence to the original drug. A strong advertising campaign could benefit big pharmacy. Finally, if TVA entered to the innovative market, the first-mover advantage would be key to succeed. So companies would require to decrease time to research, develop and munch a new drug.

What are Tepee's vulnerabilities that it needs to address as it continues to grow?

Capstone was the first Tepee's innovative drug and it is an important contributor to Tepee's overall profits (IIS$I . 2 billion of total sales in 2005), but since it is a protected innovative drug the expiration of the patent could affect Capstone revenues and have a negative effect on profitability. Innovative companies threat Tepee's model by acquiring generic companies. In 2005, Innovator acquired Hexane and Eon; the merge brought Sand as a strong firm, with Ochs on pricing and regulations, and specific markets (Germany, Western Europe and United States).

Sand followed a very similar approach to Tepee's expansion model and the company success was so important that took it temporarily to the top position of the generic industry.

This threat displays a new vulnerable side of Tepee's model: other companies are trying to follow the path TVA has taken and this has increased the number of new competitor in an industry that grows at 12% annually. These innovative firms are using another tactic to affect profitability of generics.

Giant rims release “ authorized generic” version of some products during the 180-days of exclusivity period and usually licensing the rights to a generic competitor. If this practice become more common among innovative firms, TVA will have to deal with more competitors during these 180 days while revenues will be cut. The entry of new small competitors from emerging countries, wanting to take some domestic generic industry with many institutional voids that allows companies to surpass patents locally. Once patents expire, the competition will become fierce among generic companies.