

External analysis for himalaya healthcare company essay sample

[Health & Medicine](#)



Understanding the competitive environment is an essential part of the development of an organization's strategy. Each company should be aware of the opportunities and threats which can they possibly come through in their run. Hence it can achieve a sustainable competitive advantage.

Himalaya Corporation was established by M. Manal in 1930 in Bangalore, India. The main focus of the firm was on safe, natural, innovative remedies that will help people lead richer, healthier lives. Himalaya proclaimed that it provides pharmaceutical and personal care products (Himalaya, 2013).

Healthcare industry of India is one of the largest in terms of revenue and employment. Out of the total GDP of the country, healthcare contributes more than 5%.

The total value of the sector will compose of more than \$34 billion and by the end of 2013; the sector is expected to grow to nearly \$40 billion and in the other hand the personal care sector in India was estimated to be worth \$5.6 billion in 2008, with a compound annual growth rate (CAGR) of about 11.5% during 2003 to 2008. (Monitor, 2012). Different proactive and reactive outcomes will help the company to identify opportunities and threats and develop strategy base on them and in the other hand results can show the firm the changes which it has no control, hence it should be aware of to be able to react. Different techniques have been used for such outcomes which have been attached in the appendix.

External Environment Analysis

Healthcare and personal care is a large attractive market. The growth rate of the healthcare industry in India is moving ahead neck to neck with the personal industry and the software industry of the country. The degree of <https://assignbuster.com/external-analysis-for-himalaya-healthcare-company-essay-sample/>

turbulence can be determined as changing to discontinuous which is due to stability of Indian government environment and rapid change in social and technological environment. But still it is predictable, but companies should focus on R&D department to control this degree of turbulence (Appendix p. (7, 8))

There are different opportunities that can be useful for organization in these industries such as growing population and economy, expanding middle class, rise of disease, epidemic diabetes and so on (Appendix p(18, 19))

PESTEL Analysis: Healthcare and personal care demand can change due to different factors in the environment, which companies should be aware of and predict and manage a strategy base on them. Healthcare has many regulatory and legislative restrictions. In healthcare industry the introduction of discrimination and disability discrimination legislation, an increase in the minimum wage and greater requirements for firms to recycle are examples of relatively recent laws that affect an organization's actions. In personal care industry Industries should make sure that the products they sell in the market is safe to be used by customers and no harm caused by them. All products should be labeled with the information according to safety rules. In economic and political government decisions on pricing for healthcare services or taxation, deregulation, what services to choose, health and safety laws or reduction in disposable consumer income can shape the demand.

Social factors such as life cycle, age, religion, demographic and environmental factors features and environmental factors like Pollution problems planning permissions, waste disposal, noise controls and

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environmental pressure groups should be considered for managerial decisions.

In healthcare Technological advancements will create new business prospects both in terms of new therapy systems and service provisions and in personal care also Technology is necessary for the success for competitive advantage and is provide power to globalization which includes R&D activities, Internet technology and new machines. (Appendix p.(9-13))

Life cycle analysis : Healthcare and personal care industries are in growth phase in India , there is a untapped rural market which is still suffering from a wide range of different disease and in the other hand they don't have the purchasing power to spend for personal care products , but still as long as standard of living in India is increasing hence , group of customers are increasing , and for this stage reliability and quality becomes an important factor , in R&D the focus should be seeking extensions before competitors , and company should use innovation and marketing expenditure so it can survive in the industry . Profit should also appear in this stage but it might decrease with new competitors' entrance. (Appendix p. 17)

KSF analysis: Base on different Key success factors in the industry we can conclude that for surviving the healthcare and personal care industry, companies like Himalaya should focus on the rural sector, in the other hand existence of rise of disease and such as dengue fever, hepatitis, tuberculosis, malaria and pneumonia gives a good opportunity to finding a solution for them. Fast growing urbanization and also the rise of middle class plus increase in disposable income can demonstrate that companies should focus

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more on R&D and innovation in the product, which can also bring about success to companies in these industries. (Appendix p. 21)

Five Forces Analysis: As the threat of potential new entrants is higher in personal care rather than health care (barriers to enter), a company can use Economies of scale (to decrease the unit cost of production), product differentiation and improving access to distribution channels. Threats of substitute in both industries is high, in pharmaceutical companies, the drugs which have been produced are replaceable with others and also personal care products so Himalaya should find some extra aspect of the service or product that will prevent switching.

Bargaining power of buyers in the healthcare industry is very limited, individuals have to pay when they suffer from disease which is not true in personal care, personal care can be more demonstrating luxury products, people mostly would not buy them because of their primary need so companies should focus more on giving a greater value to the customer. In healthcare bargaining power of suppliers is relatively less. Hospitals need pharmaceutical companies and vice versa. The rivalry within the healthcare industry is very intense within pharmaceutical companies but again for personal care is not that severe. (Appendix p.(14-16)) EFE and CPM analysis: Due to the increasing healthcare and personal care penetration in India, standard of living, purchasing power of people companies should focus more on innovative products and technological advantages, they should try to attract untapped rural market and to expand the company inside and outside the country.

They also should be aware of government policies which can affect both industries as well. Himalaya should try to differentiate its product to prevent the industry's threats such as changing in customer preference. Competitive profile matrix identified two major competitors of Himalaya which are Zandu and Dabur. Analysis implied that, the major focus of Himalaya in terms of Critical Success Factor, was on its R&D development by strengthening its distribution, whereas Zandu and Dabur focused on their advertising and product variety aspects respectively. It was also been found out that, analyzing the Competitive Profile Matrix, the areas like Extensive distribution, R&D, brand equity, global operations whereas, it was not performing comparatively well in advertising and partnerships. (Appendix p. (22-26))

Conclusion

Economics predicts that all firms should obtain parallel results after adjusting for their costs of capital. But clearly firm performance varies tremendously. Analyzing the macro environment and industry environment can help us to recognize how can a company survive base on the threats and opportunity exist in the industry. Himalaya should find strategies for a high regulation in legal factors, different expectation in social factors, diverse variety of government policies and environmental and economical changes. Besides, the service area onto it should be aware of threats of new entrant and focus on its R&D for more innovative product to make its brand equity stronger.

Appendix

Corporate strategy is organization's ability to understand its environment-its

customer- its suppliers, its competitors, the organizations with which it co-operates and the social and economic influences in its operations. In the following different techniques have been used to identify the industry that Himalaya Company is working in. It consist of environment basics , degree of turbulence , PESTEL analysis , industry life cycle , KSF , five porters forces, profitability of the industry and EFE matrix and CPM . Environment Basics:

It estimates some basic factors surrounding the environment, which consist of market definition and size, market growth and market share.

Market definition and size:

Healthcare is one of India's largest sectors, in terms of revenue and employment, and the sector is expanding rapidly. During the 1990s, Indian healthcare grew at a compound annual rate of 16%. Today the total value of the sector is more than \$34 billion. This translates to \$34 per capita, or roughly 6% of GDP. By 2012, India's healthcare sector is projected to grow to nearly \$40 billion. The private sector accounts for more than 80% of total healthcare spending in India. Unless there is a decline in the combined federal and state government deficit, which currently stands at roughly 9%, the opportunity for significantly higher public health spending will be limited. (Himalaya, Regulation in Overseas Market, 2005)

Market Growth:

The rate of growth of the market healthcare industry in India is moving ahead neck to neck with the pharmaceutical industry and the software industry of the country. Much has been said and done in the health care

sector for bringing about improvement . till date; approximately 12% of the scope offered by the health care industry in India has been tapped. The health care industry in India is reckoned to be the engine of the economy for the years to come . health care industry in India is worth \$17 billion and is anticipated to grow by 13%every year . the health care sector encompasses health care instrument, health care in the retail market, hospitals enrolled to the hospital networks etc. (EconomyWatch, 2010) GDP or gross domestic product expenses incurred by the Indian government on health care is the highest amongst developing countries. India's expenses on health care sector comprise 5. 25% of the GDP. Chances are that health care market could experience a hike and attain a figure ranging between &73 billion five years from now. This in turn will reflect an increase in the gross domestic product to 6. 2% GDP . The healthcare industry in India earns revenues accounting for 5. 2% of gross domestic product (EconomyWatch, 2010)

Degree of Turbulence:

Understanding the degree of turbulence in every environment can have two different results. First if the forces are exceptionally turbulent, they may make it difficult to use some of the analytical techniques and second by analyzing the nature of environment we can find out how organization can cope with different changes.

For determining this degree, changeability and predictably of the environment should be examined. (Lynch, 4th edition)

Changeability

* From last 10 years Indian political environment is very stable so there are no changes in business policies so they don't have any threat from the government intervention again and again (for ex tax policies) * Government took international trade regulations day by day India makes it flexible for foreign trade, so it becomes more and easier for new mobile companies to set up their business in India. * Technological and social change in today's India environment have been so surprising , Internet have shaped all the customer's buying behavior and as the days are passing

Predictability

* As mentioned although Indian political environment have been stable but the technological and social changes were very fast. * Although these changes have been rapid but organizations like Himalaya have tried to adopt themselves to these new changes, like providing the customers online facilities to attract new customers and enhance customer satisfaction to achieve competitive advantages.

We can conclude that although the changes in Indian market have been rapid but companies are also trying to predict them and cope with them, in the other hand in different aspects for changeability, there is no impressive political change while technology and social changes are remarkable. Base on this information, degree of turbulence can determine from three to four.

PESTEL Analysis:

There are many factors in the macro-environment that will affect the decisions of the managers of any organization. Tax changes, new laws, trade barriers, demographic change and government policy changes are all

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examples of macro change. To help analyze these factors managers can categorize them using the PESTEL model. This classification distinguishes between: political factors, economic factors, social factor, technological factor, environmental factor, and legal factors. (Gillespie, 2011)

In analyzing the macro-environment, it is important to identify the factors that might in turn affect a number of vital variables that are likely to influence the organization's supply and demand levels and its costs (Kotter and Schlesinger, 1991; Johnson and Scholes, 1993).

Each one of these factors can be considered in local national and global environment.

Political Factors:

These refer to government policy such as the degree of intervention in the economy. What goods and services does a government want to provide? To what extent does it believe in subsidizing firms? What are its priorities in terms of business support? For better understanding the environment of Himalaya each category of personal care and health care industries are going to be discussed and further in each environmental factor they are going to be considered.

There is now growing political focus and pressure on healthcare authorities in India. This means that governments will be looking for savings across the board. Some of the questions the industry should ask are: * What pressures will be put on pricing?

* What services will be cut?

* Will the same selection of drugs be available to everyone? (Alan, 2011)

In addition to this, could there be more harmonization of healthcare systems in India? What impact will reforms have on insurance models? These refer to government policy such as the degree of intervention in the economy.

1) Taxation policy

2) Privatization

3) Deregulation

4) International trade regulation

5) Government stability

In addition of these we can add followed policies which belong to personal care industry: * Environment Laws

* Employment Laws

* Health and safety laws

* Consumer laws

Economic Factors:

The global economic crisis still exists yet government reports still show that they spend on healthcare per capital continues to grow. Will the current healthcare models exist tomorrow? The growth in homecare (as seen in the Nutrition sector) demonstrates how nursing services have moved to the private sector and have become a key business offering.

The reduction in consumer disposable income will have an impact on those countries using health insurance models particularly where part payment is

required. These economic pressures are seeing an increased growth in strategic buying groups who are forcing down prices.

Increased pressure from shareholders has caused a consolidation of the industry: more mergers and acquisitions will take place over the coming years.

It includes interest rates, taxation changes, economic growth, inflation and exchange rates. As a part of economic reforms, the Government of India announced a new industrial policy in July 1991, the broad features of this policy as follows:

- The Government reduced the number of industries under compulsory licensing to six.
- Disinvestment was carried out in case of many public sector industrial enterprises.
- Policy towards foreign capital was liberalized. The share of foreign equity participation was increased and in many activities 100 per cent Foreign Direct Investment (FDI) was permitted
- Automatic permission was now granted for technology agreements with foreign companies.
- Foreign Investment Promotion Board (FIPB) was setup to promote and channelize foreign investment in India.

Social Factors:

The increasing aging population offers a range of opportunities and threats to the pharmaceutical industry. The trick will be to capitalize on the

opportunities. There is also the problem of the increasing obesity amongst the population and its associated health risks.

Patients and home careers are becoming more informed. Their expectations have changed and they have become more demanding. Public activism has also increased through the harnessing of new social networking technologies.

Changes in social trends can impact on the demand for a firm's products and the availability and willingness of individuals to work. Literacy rate, customs, values, beliefs, lifestyle, demographic features and mobility of population are part o the social environment. India is the second most populous nation in the world with an approximate population of over 1. 1billion people.

In personal care Social factors include the cultural aspects and its influences vary region to region. This includes: * Life style

* Age

* Religion

* Education

Technological Factors:

Technological advancements will create new business prospects both in terms of new therapy systems and service provisions. The online opportunities will see the growth in: * New info and Communications technologies.

* Social Media for Healthcare.

* Customized Treatments.

- * Direct to Patient Advertising.
- * Direct to patient communications.

In personal care also Technology is necessary for the success for competitive advantage and is provide power to globalization which includes R&D activities, Internet technology and new machines.

Legal Factors:

The Healthcare industry has many regulatory and legislative restrictions. There is also a growing culture of litigation in many countries. The evolution of the internet is also stretching the legislative boundaries with patient's demanding more rights in their healthcare programs.

These are related to the legal environment in which firms operate. In recent years in the India There have been many significant legal changes that have affected firms' behavior. The introduction of discrimination and disability discrimination legislation, an increase in the minimum wage and greater requirements for firms to recycle are examples of relatively recent laws that affect an organization's actions. Legal changes can affect a firm's costs and demand.

In the other hand in Personal care industry customer regulation protection becomes one of the factors that can shape the industry. This regulation mainly includes the rights regarding purchases via internet or phone which consist of explanation about the product, services, product cost and delivery and also order cancellation.

Industries should make sure that the products they sell in the market is safe to be used by customers and no harm caused by them. All products should be labeled with the information according to safety rules.

Environmental Factors:

1. Pollution problems
2. Planning permissions
3. Waste disposal
4. Noise controls
5. Environmental pressure groups

There is a growing environmental agenda and the key stake holders are now becoming more aware of the need for businesses to be more proactive in this field. Pharma companies need to see how their business and marketing plans link in with the environmental issues. There is also an opportunity to incorporate it within their Corporate Social Responsibility programs.

Marketing and new product development should identify eco opportunities to promote as well.

In personal care industry climate change also should be considered as a factor that can shape industry's profitability.

Porter's Five Forces:

It's about the factors which indicate the competitive balance of power in the industry. It is a framework for industry analysis and business strategy. In the following 5 forces have been discussed first in healthcare industry and then in personal care.

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Competitive Rivalry:

The rivalry within the healthcare industry is very intense within pharmaceutical companies and insurance companies, while being less intense amongst hospitals (certain exceptions exist). In this essence, the urgent care which has the cheapest prices and best care seem to win. This win decreases the profits of major hospitals that usually have urgent care centers on-site. In regards to the pharmaceutical companies, the competition within rivalries is intense. Each company is spending a tremendous amount of money within their research and development department, so that they can be the first to develop a new drug. Within the pharmaceutical industry, the first company that develops a new drug will get the patent to make the drug for a certain amount years, therefore eliminating their competition.

Within the healthcare insurance industry, the competition is very intense. Every insurance company is continuously bidding with companies to sell their services. However, most companies only select one insurance company, therefore making the competition intense.

In other hand rivalry among competitors is very fierce. There are scarce customers because the industry is highly saturated and the competitors try to snatch their share of market. Market Players use all sorts of tactics and activities from intensive advertisement campaigns to promotional stuff and price wars etc. Hence the intensity of rivalry is very high.

Pressure from Substitutes:

In the healthcare industry, the pharmaceutical industry profits are greatly affected by substitutes after the patents of drugs has expired. When the

patents expire, all pharmaceutical companies have the opportunity to make the drug. By allowing all companies to make the drug, this reduces the profits experienced by the sole company.

In regards to insurance companies, substitutes do not really affect them. In America, most individuals obtain healthcare insurance through jobs. Most companies only have a certain type of HMO or PPO insurance plan to choose. Therefore, the plan is usually chosen according to the persons finance. However, there is usually only one type of PPO or HMO within a company. Substitutes usually affect individuals who are self-employed and purchase their own insurance. In this situation, individuals have the opportunity to choose from a number of providers.

In regards to the healthcare sector, substitutes do not usually affect the field. For example, if a patient has to obtain an ankle surgery, he or she has to go to a surgeon. Now, one can go to any physician they would like, but that would be more of competition amongst physicians. In recent times, there are certain substitutes such as alternative medicine which treat primary care problems. However the amount of individuals who believe and practice this type of medicine is very negligible when talking about substitutes.

In personal care there are complex and never ending consumer needs and no firm can satisfy all sorts of needs alone. There are plenty of substitute goods available in the market that can be re-placed if consumers are not satisfied with one. The wide range of choices and needs give a sufficient room for new product development that can replace existing goods. This leads to higher consumer's expectation

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Threat of New Entrants:

Within the healthcare industry, the threat of new entrants is very tight. For example, pharmaceutical companies must have the initial capital to invest into their research and development department to develop new drugs. After developing these new drugs, these companies must also deal with the policies that must be meeting by the government agencies before the drug is released.

When it comes down to insurance companies, the threat of new entrants is also limited. This is due to the fact that there are many federal and state guidelines that these insurance companies must follow to remain open. These policies make it very hard for anyone to open an insurance company. Besides federal and state regulations, new insurance companies would need to have a significant amount of capital to be able to attract physicians to their network.

But FMCG Industry does not have any measures which can control the entry of new firms. The resistance is very low and the structure of the industry is so complex that new firms can easily enter and also offer tough competition due to cost effectiveness. Hence potential entry of new firms is highly viable.

Bargaining Power of Buyers:

In the field of healthcare, it seems as though the bargaining power of buyers is very limited. People will get sick and suffer from diseases whether the economy is doing well or bad. Individuals do not have the opportunity to determine when they get the flu, or need a knee replacement. Individuals are at the mercy of insurance companies, pharmaceutical companies, and

hospitals to provide the best quality of care. Now individuals have the opportunity to choose a certain hospital or insurance company over another, but since there are limited amounts of insurance companies within a network or limited amount of hospitals within an area it becomes very hard to have buyer power.

In personal care industry bargaining power of consumers is very high. This is because in FMCG industry the switching costs of most of the goods is very low and there is no threat of buying one product over other. Customers are never reluctant to buy or try new things off the shelf.

Bargaining Power of Suppliers:

Doctors have a huge bargaining power over insurance companies. If they do not join a specific network that means they will not be able to accept a certain type of insurance plan. Now if a certain amount of physicians do not join a specific network, it will limit the amount of individuals who would want to join that insurance network

In regards to pharmaceutical companies, the bargaining power varies. When a company delivers a new drug in the market, it needs the hospital to carry the drug to make its profits. In this essence, the hospital can decided whether or not they want to carry the drug. But if a hospital wants to attract new patients and keep their old patients, they must have the latest medications. So the hospital needs the pharmaceutical companies, and the pharmaceutical companies need the hospitals. If the hospital decides to carry it, the pharmaceutical company wins, because it is a patent drug distributed by the hospital and the pharmaceutical company can charge the

higher price. However, when the patent expires and the drug becomes a generic, the bargaining power of the supplier becomes less effective because everyone can carry the drug, dropping the price of the drug.

Since there is a shortage of physicians, the bargaining power of physicians to hospitals is huge. Hospitals must maintain competitive salaries for physicians, because they need to have quality physicians to treat their patients. If a hospital chooses not to be competitive, physicians will search for other hospitals to work. Once a hospital loses a certain amount of quality of physicians to another group, their patient population has the choice to switch to the new group. If your patient population moves to another group, you will be decreasing your profits. This will cause hospital profits to decrease.

In personal care industry the bargaining power of suppliers of raw materials and intermediate goods is not very high. There is ample number of substitute suppliers available and the raw materials are also readily available and most of the raw materials are homogeneous. There is no monopoly situation in the supplier side because the suppliers are also competing among themselves. (Business Econ..., Porter's Five forces (Jan 2013))

Industry Life Cycle:

Most industries are passing through a number of stages ; emerging , growth , shake out , maturity and decline , each stage shows the pattern of demand growth , base on different stages that a country's industry belong to , a firm's strategy management shapes. The nature and the intensity of competition vary during the industry life cycle.

Healthcare and personal care industry are mostly in growth stage in India, evidences which can prove it have mentioned in following:

42% of India's children below the age of three are malnourished, which is greater than the statistics of sub-Saharan African region of 28%.

Approximately 1.72 million children die each year before turning one.

Diseases such as dengue fever, hepatitis, tuberculosis, malaria and pneumonia continue to plague India due to increased resistance to drugs. As more than 122 million households have no toilets, and 33% lack access to latrines; over 50% of the population (638 million) defecates in the open.

Rural India contains over 68% of India's total population with half of it living below poverty line, struggling for better and easy access to health care and services. Health issues confronted by rural people are diverse and many – from severe malaria to uncontrolled diabetes, from a badly infected wound to cancer. (RIEFF, 2009)

India is thinking of moving towards a system of health care which will provide universal health care to everyone. Planning commission had also instituted a high level expert group on universal healthcare which submitted its report in November 2011. Indian data shows that sickness is an important reason for loss of income, high expenditure and indebtedness. One estimate is that every year four crore Indians fall below poverty line due to illness-related expenditures. Thus, it is imperative that the state and society stop this leakage of income and wealth from the hands of the poor which is happening because of ill health. (Mavalankar, 2012) In Growth stage new

competitors will enter the market, slowly eroding the market share of the innovating firm.

The products may begin to be exported to other markets and substantial efforts are made to improve its distribution. During this phase competition mainly takes place on the basis of product innovations rather than on the basis of price. In this stage, there are multiple companies in the industry seeking to differentiate themselves and earn market share. Like the introduction stage, the growth stage requires a significant cash outlay from the companies, but the funding is used toward more focused marketing efforts and expansion. It is during this phase that companies may start to benefit from economies of scale in production. This stage of industry growth, while still presenting risk to investors, demonstrates the viability of the industry. (Anonymous, 2011)

Predicting industry profitability:

There are different factors in each country that can affect industry's profitability; some of these factors have been considered in the following:

Growing population and economy:

One driver of growth in the healthcare sector is India's booming population, currently 1.1 billion and increasing at a 2% annual rate. By 2030, India is expected to surpass China as the world's most populous nation. By 2050, the population is projected to reach 1.6 billion.

This population increase is due in part to a decline in infant mortality, the result of better healthcare facilities and the government's emphasis on

eradicating diseases such as hepatitis and polio among infants. In addition, life expectancy is rapidly approaching the levels of the western world. By 2025, an estimated 189 million Indians will be at least 60 years of age—triple the number in 2004, thanks to greater affluence and better hygiene. The growing elderly population will place an enormous burden on India's healthcare infrastructure.

The Indian economy, estimated at roughly \$1 trillion, is growing in tandem with the population. Goldman Sachs predicts that the Indian economy will expand by at least 5% annually for the next 45 years (see chart), and that it will be the only emerging economy to maintain such a robust pace of growth. (PWC, 2007)

Expanding middle class:

India traditionally has been a rural, agrarian economy. Nearly three quarters of the population still lives in rural areas, and as of 2004, an estimated 27.5% of Indians were living below the national poverty line. Some 300 million people in India live on less than a dollar a day, and more than 50% of all children are malnourished.

However, India's thriving economy is driving urbanization and creating an expanding middle class, with more disposable income to spend on healthcare. While per capita income was \$620 in 2005, over 150 million Indians have annual incomes of more than \$1,000, and many who work in the business services sector earn as much as \$20,000 a year. While this is a fraction of the income that their US peers earn, it is the equivalent of more

than \$100, 000 per year when adjusted for purchasing power parity. More women are entering the workforce as well, further boosting the purchasing power of Indian households. Between 1991 and 2001, the percentage of women increased from 22% to 26% of the workforce, according to the latest Indian government census. Many of these women are highly educated: the ratio of women to men who have a college degree or higher level of education is 40: 60.

Thanks to rising income, today at least 50 million Indians can afford to buy Western medicines—a market only 20% smaller than that of the UK. If the economy continues to grow faster than the economies of the developed world, and the literacy rate keeps rising, much of western and southern India will be middle class by 2020. (PWC, 2007)

Rise of disease:

Another factor driving the growth of India's healthcare sector is a rise in both infectious and chronic degenerative diseases. While ailments such as poliomyelitis, leprosy, and neonatal tetanus will soon be eliminated, some communicable diseases once thought to be under control, such as dengue fever, viral hepatitis, tuberculosis, malaria, and pneumonia, have returned in force or have developed a stubborn resistance to drugs. This troubling trend can be attributed in part to substandard housing, inadequate water, sewage and waste management systems, a crumbling public health infrastructure, and increased air travel. (PWC, 2007)

In addition to battling infectious diseases, India is grappling with the emergence of diseases such as AIDS as well as food- and water-borne illnesses. And as Indians live more affluent lives and adopt unhealthy western diets that are high in fat and sugar, the country is experiencing a rise in lifestyle diseases such as hypertension, cancer, and diabetes, which is reaching epidemic proportions (see sidebar, The Indian Diabetes Epidemic). Over the next 5-10 years, lifestyle diseases are expected to grow at a faster rate than infectious diseases in India, and to result in an increase in cost per treatment. Wellness programs targeted at the workplace, where many sedentary jobs are contributing to an erosion of employees' health, could help to reduce the rising incidence of lifestyle diseases. (PWC, 2007)

The Indian Diabetes Epidemic:

Diabetes is a life-long, incurable disease marked by high blood sugar levels. It is estimated that almost 41 million Indians are diabetic, and that figure is expected to reach 73.5 million by 2025. The total annual cost to treat India's diabetic patients (including direct and indirect expenses) is estimated at \$420 per capita. If that per capita expenditure were to remain constant, the total estimated cost of treating the disease would reach \$30 billion by 2025. However, it's likely that treatment costs will be even greater by then, due to growing affluence in India and improvements in standards of care. The incidence of diabetes is much higher in affluent urban areas of India than in rural villages, and the rates are increasing:

In the 1970s, only 2.1% of Indians living in urban areas had diabetes. Today that figure is 12.1% for adults over the age of 20. The incidence is higher in

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the south than in the north, particularly in cities such as Chennai and Hyderabad, where about 16% of the population is diabetic. Indians seem more vulnerable to Type 2 diabetes. This form of the disease can be caused by genetics but also obesity and it can lead to amputations, heart failure and blindness. In addition to lifestyle changes that are causing diabetes—the dietary excess, reduced physical activity and increased stress associated with more affluence—Indians have a strong genetic vulnerability to the disease. As a result, Indians often contract diabetes a decade earlier than their counterparts in the developed world—a trend that is likely to have an enormous impact on India's working age population in the future. (PWC, 2007)

The healthcare demand and supply have shown in below hierarchy.

KSF:

- * Low operational cost triggered by intense competition between organized and unorganized segments
- * Availability of raw materials

- * Rise of middle class and a steep growth in disposable incomes which as a result has given the much required impetus to premium brands
- * Solid distribution networks

- * Growth in investments of stock markets of related companies
- * Growth of population resulting in increased demand for day to day supplies

Penetration in the rural sector

- * Fast growth of urbanization

- * Powerful presence of MNCs or Multi National Companies

(NaukriHub, 2011)

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External Factor Evaluation:

(EFE) matrix method is a strategic-management tool often used for assessment of current business conditions. It visualizes and prioritizes the opportunities and threats that a business is facing. The EFE matrix is concerned solely with external factors. External factors assessed in the EFE matrix are the ones that are subjected to the will of social, economic, political, legal, and other external forces.

The assign weigh shows the importance of each factor which can be ranked between 0 and 1 . Then this value would be multiple to rating which indicate how effective the firm is responding to each factor which can be graded from 1 (poor) to 4(superior)

In healthcare and personal care there are different opportunities and threats which each company should be aware of , in the following matrix each one of them have been valued due to the Indian market , for example Himalaya should be responsive to new technology but there is more important threat that can have a negative impact on industry . As India is a new market place for foreigner competitors, Himalaya should find solution for surviving. In the other hand existence of the untapped rural market is a good opportunity for capture customers mind for its products.

External Factor Evaluation Matrix:

Key External Factors ;	Weight	Rating	Weighted score	Opportunities
1) Healthcare and personal care penetration in India is increasing	0. 10	3	0. 30	
2) Increase standard of living in India	0. 06	3	0. 18	
3) Increased				

purchasing power of the people | 0. 05| 4| 0. 2| 4) Innovative product | 0. 03| 2| 0. 06|

5) Technological advantages | 0. 03| 2| 0. 06| 6) Untapped rural market| 0. 05| 3| 0. 15|

7) New investment opportunities | 0. 05| 2| 0. 1| 8) Large domestic market| 0. 9| 2| 0. 18|

9) Increase in investment of FDI| 0. 04| 1| 0. 04|

THREATS| | |

1)lack of advertisement may lead to decrease in market share| 0. 08| 3| 0.

24| 2)foreigner competitors| 0. 09| 3| 0. 27|

3)Local Manufactures| 0. 05| 2| 0. 10|

4)Change in customer preference| 0. 07| 2| 0. 14| 5)Changes in government policies| 0. 06| 1| 0. 6| 6)Rapid change in technology| 0. 05| 3| 0. 15|

7)FDI Regulations| 0. 08| 3| 0. 24|

TOTAL| 1. 00| | 3. 01|

The Competitive Profile Matrix (CPM):

“ The competitive profile matrix (CPM) identifies a firm’s major competitors and its particular strength and weakness in relation to a sample firm’s strategic position” (“ Strategic Management concept and case” 10th edition Fred R David. p. 136).

Competitive profile matrix is an essential strategic management tool to compare the firm with the major players of the industry. Competitive profile matrix shows the clear picture to the firm about their strong points and weak

points relative to their competitors. The CPM score is measured on basis of critical success factors, each factor is measured in same scale mean the weight remain same for every firm only rating varies. The best thing about CPM that it includes your firm and also facilitates to add other competitors make easier the comparative analysis. In a CPM, the ratings and total weighted scores for rival firms can be compared to the sample firms. This comparative analysis provides important internal strategic information.

As we can see in the chart below Himalaya have established strong brand equity in emerging ayurvedic drug and personal care market. The focus as Himalaya manager proclaimed is based on R&D and strengthens distribution. But in the other side its competitors have also their critical success factor in the industry, Zandu have focused on advertising and Dabur in the other place have a more variety of products. They have spread wide and deep to be close to overseas consumers. Our overseas product portfolio is tailor-made to suit the needs and aspirations of growing consumer base in the international markets.

Competitive Profile Matrix comparison among Himalaya, Zandu, Dabur |

Himalaya| Zandu| Dabur|

Critical success factors	Weight	Rating	Weighted score	Rating	Weighted score	Rating	Weighted score
Strong brand equity	0.07	4	0.28	2	0.14	3	0.21
Expand operation globally	0.08	3	0.24	2	0.16	4	0.32
R&D	0.10	4	0.40	2	0.20	3	0.30

Customer service	0.09	4	0.36	2	0.18	3	0.27
Product quality	0.20	4	0.80	2	0.40	3	0.60
Product range	0.08	3	0.24	2	0.16	4	0.32

<https://assignbuster.com/external-analysis-for-himalaya-healthcare-company-essay-sample/>

Product differentiation| 0. 10| 4| 0. 40| 2| 0. 20| 3| 0. 30| Partnership| 0. 05|
 3| 0. 15| 2| 0. 10| 4| 0. 20| Advertising| 0. 08| 2| 0. 16| 4| 0. 32| 3| 0. 24|
 Extensive Distribution| 0. 15| 4| 0. 60| 2| 0. 30| 3| 0. 45| Total| 1. 00| | 3. 36| |
 2. 16| | 3. 21|

(Himalaya, 2013) (Kumar, 2012) (Dabur, 2013) (Zandur, 2013)

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