

Biopure corporation: whether and when to launch oxyglobin

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Biopure needs to determine the best course of action to launch two new products, Oxyglobin a blood substitute for the veterinary market and Hemopure a blood substitute for the human market. Oxyglobin has been approved for commercial use and is ready for launch while Hemopure is expected to be FDA approved within two years. Biopure needs to decide whether and when to launch Oxyglobin.

If decided to launch, the ability to price Oxyglobin appropriately is critical to minimize the impact of prospective launch for Hemopure. We believe Oxyglobin should be launched immediately because of realized potentials and benefits. The potentials are: to create a brand image for blood substitutes, to create a competitive advantage by first launch, to have the benefit of “ go to market” with production, sales and distribution, and to create revenues to launch Hemopure. The potential revenues earned from Oxyglobin could be used toward building another facility for manufacturing of Hemopure.

The possible obstacles Biopure might encounter with Oxyglobin are: veterinarians may not recommend and/or perform blood transfusions, the ability to produce Oxyglobin when Hemopure is launched, and Biopure has little or no experience with launching of high R&D profile products. Oxyglobin can be launched successfully because it is FDA approved and will be first in the market as animal blood substitute. As indicated on the survey, veterinarians may not recommend the use of it because it is an expensive product; however, pet owners showed interest and preferred to be informed of alternative treatments for their pets.

Therefore, Oxyglobin should be launched with a starting price of \$200 per unit. Biopure should use in-house sales force to distribute Oxyglobin to save approximately 30% of the fees charged by the third party distributors. By launching Oxyglobin, Biopure will create revenues to continue with research and development for Hemopure. When Hemopure is launched, the marketing and distribution issues encountered during Oxyglobin launch can be avoided. Based on the SWOT analysis shown (Table 1: SWOT Analysis for Oxyglobin), we believe Biopure should start selling Oxyglobin immediately.

To address Ted Jacobs' argument regarding the size of the veterinary market and the price sensitivity, which may impact Hemopure's price when launched; we believe that because of the physical characteristics of these two products (Oxyglobin is targeting veterinary market and Hemopure targeting human market), pricing would not be a major concern for the following reasons. Launching of Oxyglobin will create a competitive advantage because Oxyglobin is unique, first of its kind, first to market, and with no competition. Oxyglobin will achieve prominence as a breakthrough discovery product of the century.

It would take the competitors between 2 to 5 years for a new product to get approved and ready for market. Oxyglobin will proliferation Biopure's reputation, credibility and have a greater impact on an IPO when the company decides to go public. Oxyglobin will generate revenues to boost Biopure development efforts ahead of its competitors in obtaining FDA approval for launching of Hemopure. Biopure will have a better knowledge

and understanding of market strategies based on lessons learned from launching of Oxyglobin.

In two years, Biopure would also have established a robust distribution network in time for launching of Hemopure. Launching of Oxyglobin will also minimize Biopure overall potential risks; if Oxyglobin fails, then the lessons learned would help to alter strategic decisions for launching of Hemopure. Based on our analysis, we recommend that launching of Oxyglobin at this point instead of waiting for two years or more to launch Oxyglobin with Hemopure represents the best solution to the primary concern facing Biopure at this time.

If launched together, Biopure may be able to sell at a high price, and make more profit with per unit cost for both products. The overall profit would be minimal because there would not be as many units of each product to sell since Biopure has to share the same facility to manufacture Oxyglobin and Hemopure. Biopure would also lose out on the potential revenues it will generate to increase production capacity for Hemopure. There would be zero profit for two years which will not bode well with the stockholders.