

Burroughs welcome company

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In 1989, Burroughs Wellcome sold the only effective AIDS-treatment drug, Retrovir. Having already lowered the cost of the drug twice, the company is continuing to face public criticism of its pricing, and now faces the potential of competitors in the near future. Should Burroughs Wellcome consider lowering the price of Retrovir further? If so, by how much, and in what timeframe? Situational Analysis External Analysis: Market Analysis Size and Growth Prospects: The pharmaceutical industry is a very competitive market.

Burroughs Wellcome is an American subsidiary of an English public limited company named Wellcome PLC. It is a multinational firm with operations in 18 countries. The U. S is the company's largest market. From 1985 to 1989 Wellcome PLC has continued to increase their sales growth in the U. S from . 2% to 12. 6%. The drug Retrovir, which falls into the Burroughs Wellcome's humanhealthcare products category, has continued to grow in U. S sales since its initial introduction into the market in 1987. Sales for 1987 were \$24. 8 million and in three years rose to a little over 10x as much to \$255. 1 million.

Retrovir sales for 1990 are forecasted to be 53% higher than the 1989 sales. This substantial large percentage of growth in Retrovir sales for Burroughs Wellcome is largely due to the fact it is currently the only FDA approved drug for the use in the preventment of preproduction of HIV in blood cells, to reduce the symptoms of HIV, and to slow down the damage it causes. Market Profitability: - Barriers to Entry One barrier to entry for the pharmaceutical drug industry is the extreme amount of government regulation controlling what and how drugs can be tested, sold, and distributed.

Another barrier is patent and proprietary knowledge held by other companies in the industry, which prevent other companies from using that knowledge. A last barrier to entry is having asset specificity which allows the firms assets to be utilized in order to make a different product. Meaning companies with highly specialized technology and equipment, like Burroughs Wellcome, can use the equipment they used to test other antiviral can be used to test HIV/AIDS and create Retrovir. - Potential Entrants There is a great potential entry for other potential antiviral drugs to be introduced into the market.

The case listed two companies, Bristol Myers and Glaxo & Triton Biosciences Inc. , to most likely have their own brand of antiviral drugs used in the treatment of symptoms for HIV/AIDS approved by the FDA for prescription sales by 1991. - Bargaining Power of Buyers and Suppliers Since there are not multiple options or substitute products available in the prevention of HIV/AIDS symptoms, the buyers will have decreased bargaining power. Suppliers' power to the drug industry will more likely be about average. Cost Structure: Retrovir is a classic example of a product that should be priced very high at first and then decrease.

To price Retrovir, price skimming was used by Burroughs Wellcome. The original price for Retrovir to wholesalers was \$188 for a hundred 100-milligram capsules. T. E. Haifler, the president of Burroughs Wellcome, stated " the high price was due to the uncertain market for the drug, the possible advent of new therapies, and profit margins customarily generated by new medicines. " Wholesalers and pharmacies usually mark up the price

to margins between 5 to 20%. This made an annual cost of \$8528 to \$9745 for HIV/AIDS patients in 1987. Later the price was reduced by 20% in 1987 and by another 20% in 1989.

The makes the current wholesaler price for Retrovir is \$120 for a hundred 100-milligram capsules and about \$150 for patients. Distribution Channels: The early distribution of Retrovir was very limited because of its lack of supply in 1987. Later a more specialized distribution system was created to improve the availability of Retrovir to those patients who would benefit the most from it. Retrovir is only available by prescription and thus for patients they must first go through health providers, and then they may purchase the drug from the hospital, wholesalers, or retail stores.