Metabical: case analysis

Barbara Print, senior director of marketing for SSP, needs to analyze the market radically in order to decide the pricing and packaging strategy and forecast the demand for the product before it is launched. The demand forecast and the pricing and packaging strategies all plays a significant role in determining the long-term success of Metabolic because the drug market Is Intensely competitive and only those products which are marketed with Innovative strategies can survive In the market. Packaging decision is the first thing that needs to be taken care of.

Since FDA trials showed that most of the people were able to achieve their weight lossgoalsby week helve, the drug would be approved as a twelve-week treatment plan. The major issue that Print needs to consider is the number of pills that would be included in each pack. Packing the entire twelve- week supply In one package does sound Like a good plan but SSP should not forget that packaging plan directly ties In with the pricing plan and can have a huge effect on the number of potential customers.

Even though the twelve- week supply package will enable the customers to complete the twelve- week cycle without dropping out, it does limit the potential customers to only hose who can afford the entire medication program with one-time pay. Exhibit 1 shows that the highest percentage of obese people is in the lower income bracket. 32. 5% of the obese people earn less than $25000. This shows that most of Meatball's targeted customers earn less than $25000. Considering this fact, It would make sense to conclude that majority of Meatball's customers will not be able to afford the entire twelve-week package.

It would be better to divide the package into three parts with each package consisting of 30 pills enough for a month. Customers loud have to buy the pills package three times because Metabolic is a three- month treatment plan and each package would have pills enough for one month. This type of packaging has one major advantage. It would be able to attract more customers. Although Metabolic Is a prescribed drug, It Is still a new drug and consumers would not want to take the risk of paying a large amount and buying the entire twelve-day package when they are not even sure if the drug would actually work for them or not.

They would be more interested in buying the product if it is packaged for one month cause they would not be spending a whole lot ofmoneyat once and they would not be wasting it if they happen to be allergic to the pills. The only issue with the one-Mont package would De Tanat tenure would a De no guarantee Tanat ten consumers will complete the entire treatment. However, this would not be much of an issue because Meatball's customers are people who desperately want to lose their weight and it is less than likely that they would forget to refill their pills.

The next issue that Barbara Print needs to consider is the pricing of Metabolic. The pricing strategy also directly ties in with the demand forecast. Printer's first pricing strategy model was based on Allis's pricing model. This seems to be a reasonable approach considering the fact that All is the closest comparable drug that exists in the market. Print makes an assumption while determining the price of Metabolic using the first pricing model. She assumes that consumers will be ready to pay more for a prescription drugs compared to non-prescription drug.

Would the consumers really be willing to pay more Just because it is a prescription drug and even if they do, how much more would they be willing to pay? Generally people trust prescribed drugs rather than non-prescribed ones. So, a higher price for a prescribed drug would be acceptable for them. However, setting the price too high would not be a good idea because exhibit 1 tells us that the buyers of this drug would most likely have lesser income. The price of $75 for a one-month supply of Metabolic seems pretty reasonable compared to Allis's $120 for 50- day supply. 120 for 50 days means $2. 4 per day and $72 per month. Pricing Metabolic at $75 is absolutely reasonable in that it is Just $3 more than Allele and it has a comparative advantage of being a prescribed drug. Printer's second approach was based on a comparison of other SSP drug margins. Based on this model, Print came up with a price of $125 for a four-week supply. Her last approach focused on how much more over-weight individuals were ready to spend each year onhealthcare. This approach resulted on a price of $1 50 for a four-week supply.

A price of $1 50 would only be acceptable for the niche but if SSP wants to market Metabolic to a larger group it would not set its price as high as $150. A price of $75 is too low and a price of $150 is too high. $125 would be the right price for a four-week supply of Metabolic. Barbara Print should then forecast the demand for Metabolic in order to help the company set the sales targets. Demand forecast helps in planning the financial requirements, inventory requirements and man power requirements. In her analysis, Print came up with three different approaches to forecast the demand.

In her first approach, demand was forecasted based on the number of overweight individual in he US who were trying to lose weight and who were comfortable using weight-loss drugs. This approach enabled Print to conclude that Metabolic would be able to capture 10% of the consumers in the first year and 30% by the end of year five. Based on this approach, the number of potential users of Metabolic can be estimated. Exhibit 1 shows that 34% of the 209 million people were over-weight in the year 2000 which means 71. 06 million (34% of 209 million) out of the 209 million were over-weight.

According to SSP study, only 35% of the 71. 06 million were actively trying to SSE weight and out of the 35% only 15% were comfortable using weight- loss drugs. This means that the 71. 06 million people can be narrowed down to 24. 871 million (35% of 71. 06 million) and eventually to 3. 731 million (15% of 24. 871 million). Print estimated that Metabolic will only be able to reach 0. 373 million consumers which is 10% of 3. 731 million, in its first year of operation. In her second approach, Print use ten result room SSP survey Ana concluded t weight individuals would be Meatball's immediate customers.

Again, she made an assumption that Metabolic will only reach 10% of those individuals who were ready to use the product immediately. This gives an estimated number of 0. 853 million potential customers during the first year. Her third approach Just focused on the educated overweight females between the age of 25 and 30. This ideal target market comprised on 4. 3 million people and Print estimated that 30% of the 4. 3 million would be captured by Metabolic. This approach shows that the estimated potential users would be 1. 29 million in the first year.

The three approaches show that the umber of Meatball's potential users ranges from 0. 373 million to 1. 29 million. Considering the fact that each individual would be buying 3 packs of Metabolic, the sales estimate for the first year would range from 1. 119 million to 3. 87 million. With a price of $125 for each pack, SSP would be able to earn between $139. 87 million to $483. 75 million in its first year of operation. It is important to come up with a suitable packaging and pricing strategy and the closest estimate of future demand in order to compare the product with the competing products and ensure that it survives in the