

Changing nature of
competition within
global pharmaceutical
industry marketing
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All industries in today's age go through changes, one of the core reasons for these changes can be deemed as competition. The pharmaceutical industry is no exception to this statement, and in recent times the level of competition has been extremely elevated that the entire industry is fighting each other and all the elements of the industry are competing in full force with the other elements. Hence, what will be looked into is basically how the nature of competition in the pharmaceutical industry is changing, what is causing this change and why.

Looking into the bargaining power of customers in regards to the pharmaceutical industry is a difficult element to address. As medicine is a necessity for people in certain situations that the bargaining power that they might entail is diminished. If someone is facing a life threatening illness and the only way to get passed it is to take the specific medicine would mean that their bargaining power is next to none. However, that being said the government comes into the mix and plays a solid role in the scenario. In order to protect the end consumer the government is left with the right to control the pricing of the product offered to the end consumer, the government would act like a peg in the middle of the transactions and reduce or cut prices were applicable. In addition they would also set price ceilings on the medicine, as all pharmaceutical products have to be passed by the government the element of pricing would play a very important role. Where the end consumer doesn't have much of a bargaining power, this is covered by the regulatory body. The US accommodates for most of the revenue earned by the industry, which in fact is over fifty percent, regardless of being a substantial amount this does not provide much bargaining power

due to the nature of the commodity. Hence, the bargaining power of the consumers doesn't play much of a role in the competition within the industry as the companies have to follow another entity and can't really base their prices on the competitors as they have their own extended costs to cover.

Suppliers on the other hand have a decent level of bargaining power compared to the end customers. If we look at it like this that the manufactures give the goods to the suppliers and then the medicine is given to the consumer, we can therefore say the suppliers are associated with the doctors or pharmacies. Doctors have a say on which prescription medicine to give to their patients, and this is one of their main bargaining chips that play a crucial role when it comes to competition. The pharmaceutical companies will have to face this completion with each other as they try to win out the suppliers, if a supplier is only keen on attaining a product that is that of a supplier you can expect that portion of sales to be lost. If the supplier is significantly a giant then it can be worrying and this brings the whole dynamics of competition and how it has evolved over the last decade. Revenue has increased, but so has the amount of patients and in turn the size of the suppliers. It has become a solid competition to achieve the best supply chain and attain maximum revenues, leading to lowering prices and offering discounts and incentives to suppliers.

New entrants into the market fair well when it comes to the competition aspect of the industry. The existing companies have the issue with competing with these new entrants only when the patents expire, that is when the new companies redesign and alter the existing product to make it more effective. The issue is the cost that is occurred in research and <https://assignbuster.com/changing-nature-of-competition-within-global-pharmaceutical-industry-marketing-essay/>

development that can't be incurred by all companies, and when a firm does conduct this activity and produces a product worthy to be sold they patent it to protect their costs and attain the required profit they want from the product. However, when the patent expires the revenue of the existing company dramatically falls, as these new entrants are introduced into the market and produce slightly altered and better products.

The threat of substitute products is a great hindrance for existing companies because if a new product is launched it is bound to capture the market share of existing firms. Hence, this would need companies to work out a competitive advantage they have over other firms. In the pharmaceutical industry the main substitute only happens after the patents have expired, as mentioned earlier. The reason that new substitutes are not brought in earlier due to the government supporting companies to patent their medicines and research, so that the cost is covered and gives an incentive to the companies to manufacture more. The cost of developing a new medicine from scratch is really expensive and not affordable for a lot of companies. However new products are often introduced in the various types of drugs and this can cause a huge threat to existing companies and their products. Therefore, as far as competition is concerned, a new product would mean that the existing products need to be dealt with accordingly in terms of chain of supply and the way it is marketed and offered to the purchaser of the product.

Competitive rivalry within the pharmaceutical industry exists and is very prevalent; it is in all products and all levels of the marketing and producing aspect of it. Each company like in any industry wants to be the market leader and achieve the maximum level of revenue; this is done by offering

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the best possible product at the best possible price. The term best is very relative to what other offerings there are in the market, hence this is linked back to competition. Additionally, in order to achieve this level of acceptability in the market it can only be formed from competitive rivalry between each of the companies. What this actually has created is that the nature within the industry in terms of competition has transformed over the last couple of years where competition is become really tight but backed by strong legal grounds.

One of the ways that competitive rivalry has dictated the industry is firms taking over other firms by buying them out and buying the rights to their names. What this has done is that it has lowered the quantity of the competition but not made it any easier as the quantity might have decreased but the magnitude of each of the companies has increased substantially. The reason behind this is that to defeat the competition the best way is to cancel them out, the easiest way to attain this is to buy them out and capture their share within the market. This has allowed companies to increase their control on the market and increased revenues and in turn profits. Which is beneficial in all strategic aspects of the company's functioning, and leads to a lot of room for development and progress for the company.

Having looked at all the 5 forces of Porter's model it can be said that the elements of competition within the pharmaceutical industry are intense in all regards. The nature of competition is influenced and affected by all aspects, whether that is suppliers, customers, new entrants, substitute products or internal competition. Suppliers have their play due to them being the ones

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that shift the goods to the end consumer, having the middle standing gives them a solid edge on who to obtain the good from and what each manufacturer has to offer competitively that the suppliers come to them. Customers do not have that strong of a footing to influence the nature of competition as medicine is more or less a necessity that needs to be fulfilled one way or the other.

New entrants and substitute of new products do play a fairly similar role and can be deemed as interchangeable for the pharmaceutical industry. The reasons for this are that if a new product or entity enters into the market it is bound to cut away at the shares of the existing entities and products. What this calls for is competitive measures to make sure that the activities are controlled and do not alter the footing of the existing companies as they can maintain their advantage and revenue. The basis of doing business is to earn something out of it usually on a monetary backing and if this isn't attained then the core purpose is totally lost. Additionally, if competition is faced this means that your potential income will be threatened and needs to be dealt with accordingly so you can tackle these situations very well. What this report has concluded is the causes of challenges companies face and what that has done to change the nature of competition within the pharmaceutical industry.