

Global pharma industry analysis

Business



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SWOT Analysis of Manufacturing

Strengths

- The strengths of the pharmaceutical industry's SWOT analysis document the internal industry components that are providing value, quality goods and services and overall excellence.
- The internal industry components can include physical resources, human capital or features the industry can control.

For example, the pharmaceutical industry's strengths could include low operating overhead, firm fiscal management, low staff turnover, high return on investment (ROI), state-of-the-art laboratory equipment and an experienced research staff.

Weaknesses

- The weaknesses of the pharmaceutical industry's SWOT analysis document the internal industry components that are not providing significant added value or are in need of improvement. The internal industry components can include physical resources, human capital or features the industry can control.

For example, the pharmaceutical industry's weaknesses could include high-risk business modeling, disengaged Board of Directors, dated medical equipment, poor branding, low staff morale or diseconomies of scale.

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- The opportunities of the pharmaceutical industry's SWOT analysis document the external industry components that provide a chance for the industry (or factions of the industry) to grow in some capacity or gain a competitive edge.

The external industry components should be environmental factors or aspects outside the industry's control, yet reflective of the business marketplace. For example, the pharmaceutical industry's opportunities could include recently published research, an increase in health-conscious consumers, increased demand for pharmaceutical products, changes in Food and Drug Administration standards or decreases in employee health care costs.

Threats

The threats of the pharmaceutical industry's SWOT analysis document the external industry components that could create an opportunity for the industry (or factions of the industry) to decline, atrophy or lose some competitive edge. The external industry components should be environmental factors or aspects outside the industry's control, yet reflective of the business marketplace.

For example, the pharmaceutical industry's threats could include increased government regulation, a declining economy, increasing research and development (R& D) costs or a decrease in the global population.

How to Construct Your SWOT Analysis

A SWOT analysis is displayed in a two-by-two spreadsheet, designed to showcase all four features. Within the two-by-two spreadsheet, strengths and weaknesses are located in the top two boxes, left to right, respectively, <https://assignbuster.com/global-pharma-industry-analysis/>

and opportunities and threats are located in the bottom two boxes, also left to right, respectively.

It never ceases to amaze me why so many businesses fail to take the time to look at the macro and the micro environments when completing their business plans and strategies. These external forces will play a big part in shaping the final outcome of the ultimate corporate achievement. Yet, most managers focus only on internal factors and it is fair to say that sales growth and profits remain high on their agenda.

The macro environment tends to have a long term impact and requires extensive research.

Couple this with the fact that many managers are over worked and under resourced and we begin to see why the process is often not completed. There is no published evidence to confirm this hypothesis, just anecdotal hearsay. The remainder of this article will illustrate an example of a Macro or PESTLE analysis for the pharmaceutical industry. It is set at a very general level but it can be used as a template or adapted to be more specific if required:

Political There is now growing political focus and pressure on healthcare authorities across the world.

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? In addition to this, could there be more harmonization of healthcare systems across Europe or the USA? What impact will reforms have on insurance models?

Economic

The global economic crisis still exists yet government reports still show that the 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.

Social / Culture

The increasing aging population offers a range of opportunities and threats to the pharmaceutical industry. The trick will be to capitalise on the opportunities. There is also the problem of the increasing obesity amongst the population and its associated health risks. Patients and home carers 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. How can pharmaceutical companies get closer to consumers without over stepping the regulatory boundaries?

Technological

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.

Legislation

The pharmaceutical 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 programmes. Environmental 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 programmes. Marketing and

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

The information above illustrates just a fraction of the likely macro factors involved in the pharmaceutical industry. A better way to summarise it would be in a table: Porter's Five Forces Analysis for the Pharmaceutical Industry By Maria Gabriela Marin Porter's Five Forces Model helps strategic business managers analyze the industry in which their companies operate to determine what can be done to get an advantage over their existing competitors and also to determine how attractive a particular industry would be for new entrants.

Porter's Five Forces are:

1. Threats of entry posed by new or potential competitors;
2. Degree of rivalry among existing firms;
3. Bargaining power of buyers;
4. Bargaining power of suppliers and
5. Closeness of substitute products.

Below is an analysis of the Pharmaceutical Industry using the above named forces:

1. Threats of entry posed by new or potential competitor (LOW)

- High entry barriers due to costs associated with research ; amp; development of new drugs (i. e. years of investment in R; amp; D for a drug that may/may not work)
- Government regulation (i. FDA)

- The threat of entry posed by new or potential competitor is a LOW competitive force due to the above entry barriers ; amp; regulatory constraints.

2. Degree of rivalry among existing firms (HIGH)

- High rivalry among main companies in the industry. For example the current rivalry in the erectile dysfunction space where Bayer ; amp; GlaxoSmithKline claim that Levitra works faster or Eli Lilly ; amp; ICOS claim that Cialis works longer than Pfizer's Viagra ? The degree of rivalry among existing firms is a HIGH competitive force

3. Bargaining power of buyers (MEDIUM)

- Hospitals ; amp; other health care organizations buy in bulk quantities and exert pressure on pharmaceutical companies to keep prices in check
- Regular patients have lost bargaining power due to price increases in generic drugs
- The bargaining power of buyers is a MEDIUM competitive force.

4. Bargaining power of suppliers (LOW)

- Sales for the pharmaceutical industry concentrate in a handful of large players and that has decreased the bargaining power of suppliers. The bargaining power of suppliers is a LOW competitive force

5. Closeness of substitute products (HIGH)

- Demand for generic versus brand name drugs has increased because of the costs

- Generic drug companies do not have the high costs associated with the research ; amp; development of new drugs and that allows them to sell at cheaper prices
 - The closeness of substitute products is a HIGH competitive force
- Overall and based on the above analysis of Porter’s Five Forces, we can conclude that the pharmaceutical industry is not attractive for new entrants.