

Pharma UK

Business Plan 2006-2010



Report Example

BusinessMap[®] Workshop

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1. Executive Summary

1.1. Introduction

The objective of this case is to gain an understanding of AirFlow's current business environment and to draw up future objectives.

Historically Pharma UK Ltd has been strong in the field of animal health, but corporate strategy determined its expansion into other areas of business, particularly pharmaceuticals, both organically through investment in research and manufacturing technology, and through strategic acquisition and alliances with other companies.

With regards to the respiratory market prices are predicted to increase slightly until 2007. However with many drugs coming off patent in 2008, generic products will enter the market and prices are expected to fall. Pharma UK must take advantage that AirFlow is one of the few products specifically approved for COPD (chronic obstructive pulmonary disease) and that it has a 24 hour efficacy with once-daily dosing compared with many competitive products that need twice daily dosing. Over the next couple of years Pharma UK must seek to gain a strong foothold on the UK market and build Airflow into a strong established brand.

1.2. The Market

The respiratory market is defined to include: asthma, COPD and allergic rhinitis. COPD caused around 2.7 million deaths in 2000 - making it the world's fourth biggest killer disease. The condition, caused mainly by smoking, is set to rise to be the third biggest killer by 2020.

Around 3 million people suffer from the condition in the UK, with 30,000 dying each year. The British Thoracic Society (BTS) says respiratory disease kills one in five people in the UK and costs the health service more than 6 billion pounds every year. The market for COPD treatments in UK is currently worth around 5 million Euro and is expected to grow to approximately 10 million Euro in 2010. Awareness of the condition is low among the general population.

1.3. Competitors

Principal competitors are other international pharmaceutical companies that also sell branded, patent-protected, prescription medicines. Like these other companies Pharma UK will increasingly have to compete with generic pharmaceuticals, mainly on price as the generic companies do not bear the high cost of research. The industry's intellectual property base is increasingly being challenged by generic manufactures looking to make an early entry into large markets, which puts pressure on product lifecycles.

GSK's Seretide is the world's biggest respiratory drug, and is licensed for asthma and COPD. In England, the NHS spent 39.5 million pounds on Symbicort (AstraZeneca) in 2004, compared with 177.3 million pounds on Seretide. Merck and AstraZeneca should close the gap between GSK and other companies involved in the respiratory market by 2010.

Of the six key respiratory launches predicted before 2010, one of the most significant will be Alvesco, co-marketed by Altana and Sanofi-Aventis. Altana will be propelled into the top ten respiratory key players by 2010 due to the sales of Alvesco and the PDE 4 inhibitor Daxas (roflumilast), due to launch by the end of 2004.

Respiratory disease is one of the few areas in which Pfizer does not have a strong presence, but new partnerships have made it a player in the field almost overnight e.g. co-marketing of Boehringer Ingelheim Spiriva, collaboration with Altana on the asthma/COPD drug Daxas.

1.4. Total Market Value

The Total Market Value of “Respiratory – AirFlow” is 542.114,34 in 1.000 Euro.

1.5. Segmentation Grid with totals

SBU: Demo Case 1: Pharma UK - Products 6 September - Human Pharmaceuticals - Products - Prescription Medicine - New Product - Respiratory - AirFlow

Prescription Medicine - New Product	Respiratory	Central Nervous System	Cardio Vascular	HIV	Rheumatism	Urology	Total	Average
AirFlow	A 36,701.14	N/A	N/A	N/A	N/A	N/A	36,701.14	12,233.71
Product 1	N/A	0.00	N/A	N/A	N/A	N/A	0.00	0.00
Product 2	N/A	N/A	0.00	N/A	N/A	N/A	0.00	0.00
Total	36,701.14	0.00	0.00	0.00	0.00	0.00	36,701.14	-
Average	12,233.71	0.00	0.00	0.00	0.00	0.00	-	2,038.95

In 1,000 Euro

Priority A: Of high strategic importance

1.6. Business Objectives

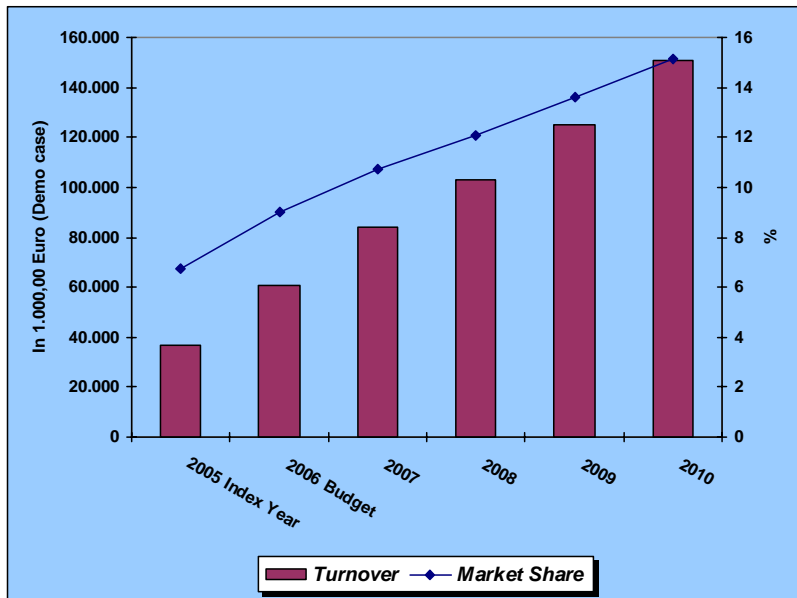
Market Objectives	2005 Index Year	2006 Budget	2007	2008	2009	2010
Market Share	6.77%	9.02%	10.72%	12.10%	13.63%	15.12%
Market Price Index	100.00	103.00	103.00	98.00	94.00	92.00
Market Volume Index	100.00	120.00	140.00	160.00	180.00	200.00
Market Position	Follower	Follower	Follower	Challenger	Challenger	Leader
Turnover	36,701.14	60,438.77	83,801.28	102,854.20	125,054.60	150,869.59
Volume	43,116.00	69,800.00	96,000.00	129,000.00	160,000.00	195,000.00
Unit Price	0.85	0.87	0.87	0.80	0.78	0.77
Total Market Value	542,114.34	670,053.32	781,728.88	850,035.28	917,257.46	997,490.38
Total Market Value Index	100.00	123.60	144.20	156.80	169.20	184.00
Turnover Index	100.00	164.68	228.33	280.25	340.74	411.08

In 1.000 Euro

Financial Objectives	2005 Index Year	2006 Budget	2007	2008	2009	2010
Turnover	36,701.14	60,438.77	83,801.28	102,854.20	125,054.60	150,869.59
Cost of Sales	13,737.84	22,562.79	31,284.40	38,397.17	46,684.94	56,322.10
Gross Profit	22,963.30	37,875.98	52,516.88	64,457.03	78,369.66	94,547.49
Operating Profit (EBITDA)	5,761.11	9,590.12	13,039.40	16,281.56	19,787.16	23,711.13
Profit before Taxation (EBT)	5,724.40	9,570.90	13,078.24	16,213.03	19,710.00	23,624.00
Profit after Taxation (EAT)	3,842.54	6,312.90	8,675.70	10,592.10	13,057.05	15,777.04

In 1.000 Euro

1.7. Business Objectives Graph



1.8. Business Insight Conclusions

1. Market

- AirFlow is expected to be one of the leading products within 5 years.
- The British Thoracic Society (BTS) says respiratory disease kills one in five people in the UK and costs the health service more than 6 billion pounds every year. Around 3 million people suffer from the condition in the UK, with 30,000 dying each year because of COPD (chronic obstructive pulmonary disease status).
- Commercial companies increasingly run primary care services.

2. Financial

- Efforts to increase the cash generation and growth potential of the businesses has put the company in a strong position for the future.

3. Brand

- AirFlow does not have a strong brand identity compared to competitive products.
- Developing a strong brand position is crucial to creating continued demand from both clinicians and patients - strong branding is the key to extending the lifecycle of a product, even line extensions should be based on the brand.

4. Products

- 5 products have gained COPD status. Spiriva and AirFlow the only products specifically for COPD (maintenance treatment). The other products are traditional asthma treatments which have gained the additional indication.
- Many drugs come off patent in 2008.
- AirFlow can justify charging a slightly higher price as only our product and Boehringer's have been specifically designed for COPD treatment. We also have the advantage of once a day dose.

5. Communication

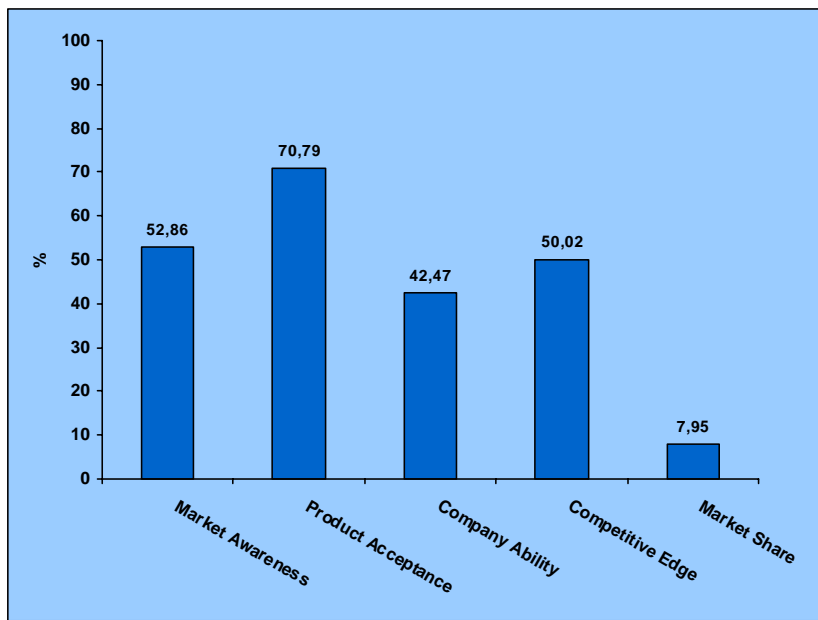
- Communication strategy should be assessed to include more mild and moderate patients.
- Key opinion leader links should be strengthened. Reap the benefits of the recent reports which confirm AirFlow as first in line treatment.
- Patients are becoming better informed - knowledgeable.

2. Business Insight

2.1. Market Share

- ▲ The simulated market share equals 7.95%
- ▲ The actual market share equals 6.77%

2.1.1. Market Share Graph: Index Year



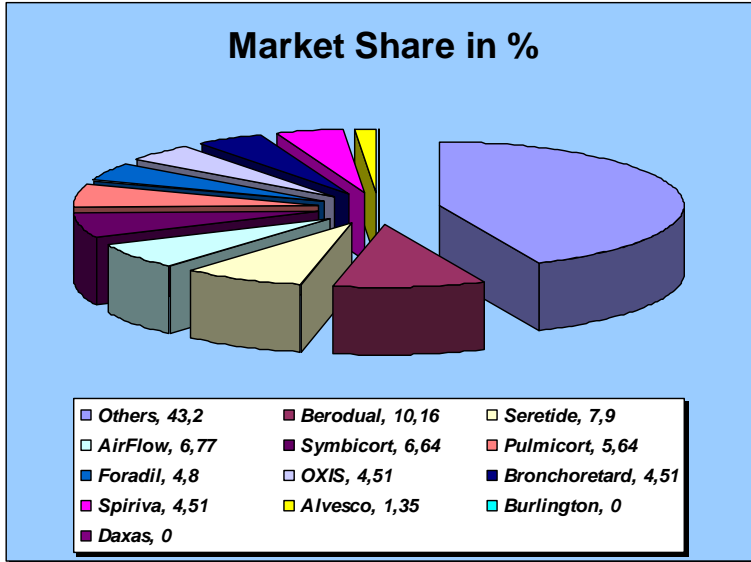
2.2. Competitors

2.2.1. Competitor Ranking

No.	Competitor	Sector	Market Share	Accumulated Market Share	Market Position	Turnover	Operating Profit (EBITDA)	Profit before taxation (EBT)
1	Others		43.20%	43.20%		234,194.53	0.00	0.00
2	Berodual	Boehringer Ingelheim	10.16%	53.36%	Leader	55,051.71	0.00	0.00
3	Seretide	GlaxoSmithKline	7.90%	61.26%	Leader	42,818.00	0.00	0.00
4	AirFlow	Pharma UK	6.77%	68.03%	Follower	36,701.14	5,761.11	5,724.40
5	Pulmicort	Astra Zeneca	6.64%	74.67%	Leader	36,005.43	0.00	0.00
6	Symbicort	Astra Zeneca	5.64%	80.31%	Challenger	30,584.29	0.00	0.00
7	Foradil	Novartis	4.80%	85.11%	Follower	26,029.18	0.00	0.00
8	OXIS	Astra Zeneca	4.51%	89.62%	Challenger	24,467.43	0.00	0.00
9	Bronchoretard	Fujisawa	4.51%	94.13%	Challenger	24,467.43	0.00	0.00
10	Spiriva	Boehringer Ingelheim	4.51%	98.64%	Challenger	24,467.43	0.00	0.00
11	Alvesco	Altana & Sanofi-Aventis	1.35%	99.99%	Penetrator	7,327.77	0.00	0.00
12	Burlington	Housing Supplier	0.00%	99.99%	Challenger	0.00	0.00	0.00
13	Daxas	Pfizer/Altana	0.00%	99.99%	Penetrator	0.00	0.00	0.00

In 1,000 Euro

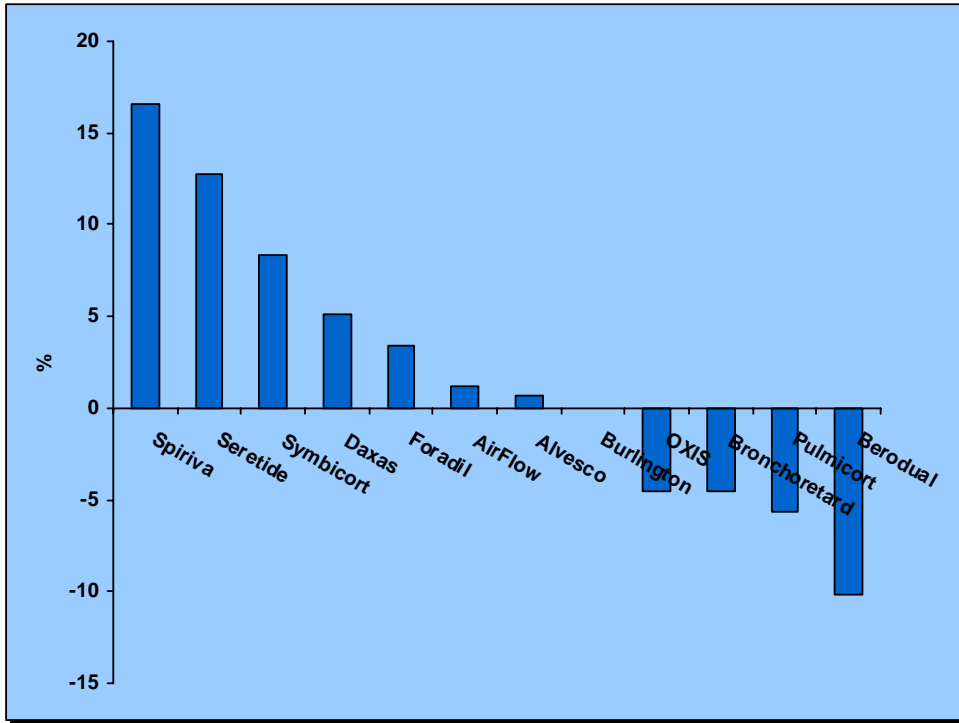
2.2.2. Competitor Ranking Graph



2.2.3. Competitor Benchmarking

No.	Competitor	Sector	Market Awareness	Product Acceptance	Company Ability	Competitive Edge	Simulated Market Share	Actual Market Share	Difference
1	Spiriva	Boehringer Ingelheim	70.00	77.00	80.00	49.00	21.13%	4.51%	16.62%
2	Seretide	GlaxoSmithKline	70.00	65.00	70.00	65.00	20.70%	7.90%	12.80%
3	Symbicort	Astra Zeneca	65.00	60.00	65.00	55.00	13.94%	5.64%	8.30%
4	Daxas	Pfizer/Altana	30.00	50.00	65.00	52.00	5.07%	0.00%	5.07%
5	Foradil	Novartis	50.00	55.00	60.00	50.00	8.25%	4.80%	3.45%
6	AirFlow		52.86	70.79	42.47	50.02	7.95%	6.77%	1.18%
7	Alvesco	Altana & Sanofi-Aventis	7.00	72.00	64.00	64.00	2.06%	1.35%	0.71%
8	Burlington	Housing Supplier	0.00	0.00	0.00	0.00	0.00%	0.00%	0.00%
9	OXIS	Astra Zeneca	0.00	0.00	0.00	0.00	0.00%	4.51%	-4.51%
10	Bronchoretard	Fujisawa	0.00	0.00	0.00	0.00	0.00%	4.51%	-4.51%
11	Pulmicort	Astra Zeneca	0.00	0.00	0.00	0.00	0.00%	5.64%	-5.64%
12	Berodual	Boehringer Ingelheim	0.00	0.00	0.00	0.00	0.00%	10.16%	-10.16%

2.2.4. Competitor Benchmarking Graph



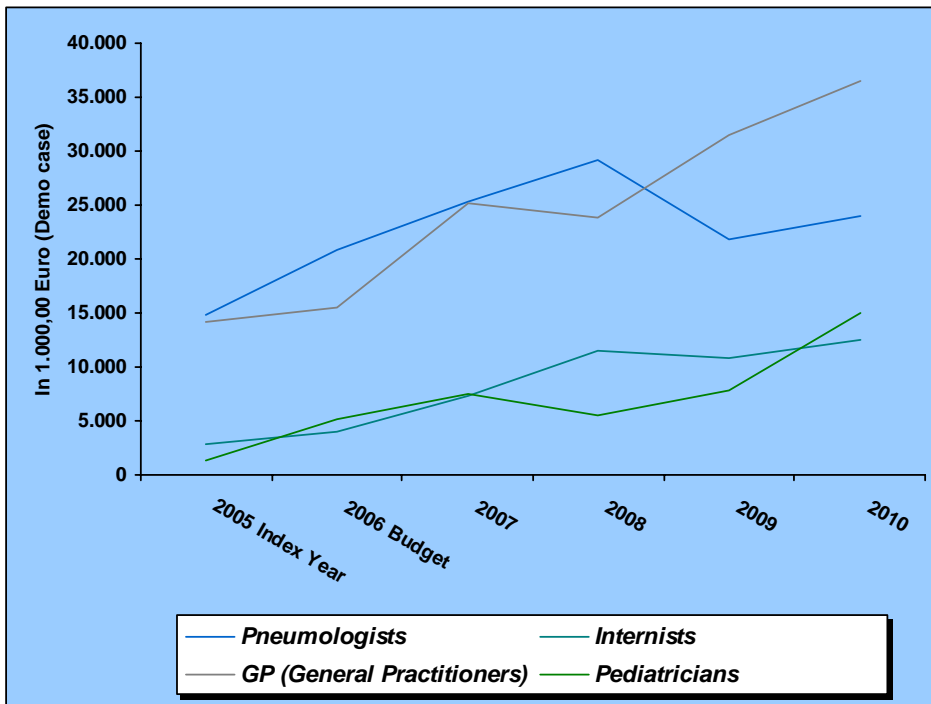
2.3. Customers

2.3.1. Customers

No.	Customer	Sector	Spend	Our Share	Our Share %	Contribution	Contribution Margin	Operating Profit (EBITDA)	Profit before taxation (EBT)
1	Pneumologists	Specialist	178,288.27	14,874.77	8.34%	13,118.14	88.19%	0.00	0.00
2	GP (General Practitioners)	Primary care	129,684.36	14,091.89	10.87%	7,958.97	56.48%	0.00	0.00
3	Paediatricians	Primary care	91,000.00	1,260.00	1.38%	630.00	50.00%	0.00	0.00
4	Internists	Primary care	76,096.09	2,896.67	3.81%	1,666.22	57.52%	0.00	0.00

In 1.000 Euro

2.3.2. Customers Objectives Graph Our Share



2.4. Trends

Short term definition: 2006-2007

1. Low diagnosis rates for COPD. Many existing patients are not diagnosed and treated.
2. The respiratory market is highly competitive.
3. In the pharmaceutical industry outsourcing has never enjoyed greater popularity and all available indicators show that this trend is set to continue over the next few years.
4. Further pricing pressures have been placed on the industry through legislation not only in major established markets, but also in China and India.
5. Doctors remain principal decision makers, but as the economic burden of funding increases, payers, incl. governments, managed care organisations, patients etc. are increasingly influencing the choices doctors make.

Long term definition: 2008-2010

1. There will be increased interest and competition in the COPD market as the asthma market is saturated.
2. COPD set to rise to be the third biggest killer by 2020.
3. Increase in smog will result in respiratory problems (growing market).
4. The emergence of a more knowledgeable patient base, who access an increasing amounts of information means that the dynamics are changing and consumer brand loyalty is starting to exert a definite pull.
5. The changing regulatory and policy landscape enables companies to have the status of their products changed from prescription medicine to OTC medicine. The health services seek to transfer the true costs of drugs from their own prescribing budgets to the patient's budget. For this to work well the brand heritage must be in place.
6. The traditional GP practice is increasingly coming under threat - a clear trend towards appointing commercial companies to run primary care services.
7. The market is evolving in response to the changing shape of the world economy. Developing economies are driving growth in healthcare provision as GDP rises, creating exciting new opportunities for the pharmaceutical industry. Developing economies such as China are fast expanding the number of patients who can benefit from medicines.
8. With significant changes occurring in clinical outsourcing practice and an emphasis on partnerships and creating a win-win situation, the focus will be on how companies create successful agreements and pricing arrangements with each other.
9. All COPD drugs except for short actings and teophyllins are expected to be delisted from the reimbursement list. Specialists and IMs will be able to prescribe reimbursed drugs.

2.5. SWOT

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. 24 hour efficacy with once-daily dosing - many competitive products need twice daily dosing. 2. Key opinion leaders recently positioned AirFlow as an increasing first-line treatment. 3. Efforts to increase cash generation and growth potential have put AirFlow in a strong position for the future. 4. Pharma UK has a couple of drugs at phase III development and are stepping up investments in development and pre-marketing to support all these late stage pipeline opportunities. 5. Fewer side effects than competitive products. 6. AirFlow is expected to be one of the leading products within 2 years. 7. Ethical company. 8. Approved as COPD drug. 	<ol style="list-style-type: none"> 1. Traditionally not as strong as competitors in the respiratory field. 2. Our strategic alliances have previously resulted in co-promotion complexities and burdens. 3. Lack of brand identity, AirFlow is up against strong brands. 4. AirFlow is still relatively new on the market - no wide patient base has been build up. 5. Traditionally Pharma UK has not been very customer or competitor orientated. 6. Availability of data, business information, smoke signals. 7. No cash cow. 8. No/limited experience in generic competition.
Opportunities	Threats
<ol style="list-style-type: none"> 1. Under diagnosed market - many existing patients are failing to be diagnosed and treated. Add-on potential in the market. 2. The market for COPD treatments is currently worth around 5 million Euro and is expected to grow to approximately 10 million Euro in 2010. 3. New national standards for the treatment in the UK have been launched, with a pledge from the government to improve patient care and tackle inequalities. Awareness of the condition among the general population is low - but set to increase. 4. An increasing tendency to let commercial companies run primary care services. Must establish strong links with this "new" customer group. 5. Patient becoming better informed - patient pull. Pharma UK offers a product with a daily dosing many of our competitors has a twice daily dosing. 6. Sales of Seretide could be hit by new safety warnings imposed by the US medicine regulators. 7. COPD is mainly diagnosed by pulmonologists and not GPs who widely lack the proper tools and knowledge for the task. 	<ol style="list-style-type: none"> 1. Increased competition. 2. Lack of effective therapies will continue to hamper attempts to increase patient awareness. 3. The industry's intellectual property base is increasingly being challenged by generic manufacturers looking to make an early entry into large markets, - puts pressure on product lifecycles. 4. With many drugs coming off patent in 2008, - generic companies are formulating their strategies for attacking these patents. 5. Strong competitors, they have brand in place and money available to reinforce market awareness of their brands. 6. Generics. 7. Unethical competition. 8. The reputation of the pharmaceutical industry has been in decline (drug safety, some companies perceived to be making far too much money). 9. Strong competitors blur difference between asthma and COPD treatment.

3. Business Design

3.1. Business Objectives

Market Objectives	2005 Index Year	2006 Budget	2007	2008	2009	2010
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In 1,000 Euro

3.2. Vision

Pharma UK Ltd. is committed to discovering and delivering novel, high-value medicines, - medicines that make a real difference in important areas of healthcare. The company is committed to realise new ideas that will help to inspire the lives of their stakeholders.

3.3. Mission

It is possible to sum up what Pharma UK Ltd believes in and strives for in a single phrase: "**Value through Innovation**"

This recognises that in a competitive and fast-changing world, the values of products, services and companies are constantly changing. In order for things to have real value to the customer, they have to be superior to any other offering - and therefore better than they were before.

In today's global markets, real customer value can only be created by Pharma UK constantly finding ways of doing new things well, or doing what we are currently doing even better.

3.4. Strategic Challenges

1. Co-marketing efforts and strengthening the pipeline through appropriate external targeted acquisition, licensing and partnership opportunities.
2. Increase awareness of COPD and the difference between COPD and asthma among the general population.
3. Provide clearly defined segments of each customer group. To carry out relevant marketing and sales programmes for these segments.
4. Build relationship with Key Opinion Leaders and the new privately run companies that will increasingly take over the GPs role.
5. Step up investments in development and pre-marketing to support late stage pipeline opportunities and to build a strong brand.

3.5. Strategy: Offensive

Expansion: Protecting and Growing Current Rx Base.

3.6. Supporting Strategies

1. Brand

- Promote AirFlow as the "First Choice" in COPD treatment. Among inhaled treatments differentiate Airflow - once daily usage!

2. Sales

- Maximise sales growth by releasing the full potential of our marketed brands throughout their lifecycle.
- Growing our position in existing markets
- Expanding our presence in key emerging markets
- Vigorously defending our legitimate intellectual property rights.
- Exceed competitors' coverage and frequency.

3. Communication

- Help to educate the general public - too many still not seeking treatment.
- Provide Internists (specialists in internal diseases) and GPs with treatment knowledge and motivation.
- Emphasise asthma and COPD differentiation.
- Key opinion leader and patient group relationship building.

4. Product

- Deliver a portfolio of differentiated medicines that meet patient needs by successfully delivering the next wave of products in development.
- Rigorous management of our portfolio of products in development, to mitigate risks associated with new innovative products
- Further improving the productivity and efficiency of our drug discovery and development.
- Strengthening the pipeline through appropriate external targeted acquisition, licensing and partnership opportunities.

5. Company

- People Management: increase company ability focusing on field force efficiency and efficient product management.
- Leading and developing people to improve business competence in all functions.