Shaldor Practice Cases Kit – 2017

PharmaCo – Globalization Strategy

A global pharmaceuticals company, PharmaCo, specializes in the manufacturing and marketing of drugs to developed markets. PharmaCo's revenues in 2012 were $400M, 30% of which are from real-estate projects and the rest are from pharmaceutical sales. USA and Canada consist of roughly 90% of all the company's revenues. During the last 9 years, business has been booming at a whopping 5% annual growth rate. The Board of Directors is interested in expanding activity with an emphasis on new markets in developing countries. Currently, the company has significant presence in one developing market – South Africa, where it holds 5% of all pharma sales since 2005. There is a limited presence in Romania and Azerbaijan, both accounting for 1.25% of the revenues each. The company's R&D and manufacturing capabilities are considered highly advanced and it has sufficient capital to invest in geographical expansion.

The CEO of PharmaCo. has engaged with us to help him and his team develop a comprehensive growth strategy for the Romanian market.

At the first meeting, the Head of BD suggested that Azerbaijan should be their top priority, whereas the COO claimed that sales in South Africa have yet to reach their full potential and all efforts should focus on the South African market. Stirring the pot even further, the CFO claimed that the Canadian sales are plummeting and their attention should be focused on revitalizing business there.

a. Which developing market do you suggest as the most promising business venture?

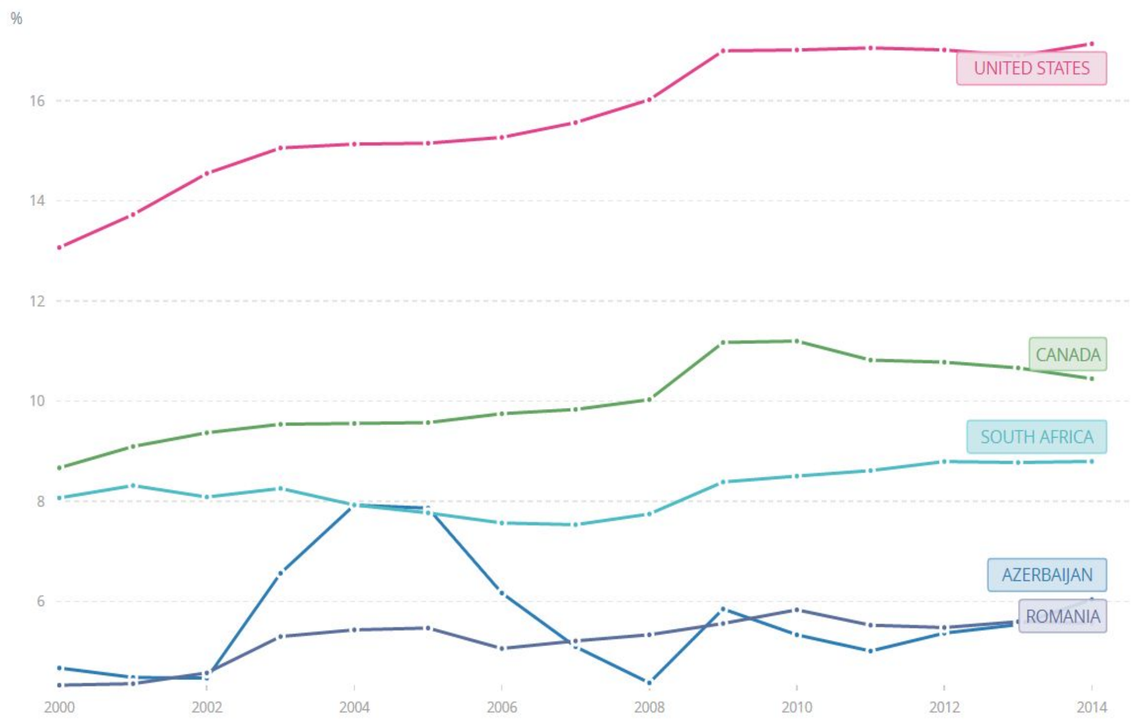
b. Should revitalizing sales in Canada take priority?

Additional data to consider:

Table 1: Life Expectancy at Age 60 - WHO Data

Country	2009	2012
Azerbaijan	16	16
Canada	21	24
Romania	17	19
South Africa	16	17
USA	21	23

Figure 1: Health Expenditure, total (% of GDP) – World Bank Data



Continue to next page only after solving the case

Solving the Business Case

Business cases are very complex and as such they can be tackled in more than one way and from various angles. There is no "textbook answer", so concentrate on understanding what's required to answer the case and 'pan the gold' from the 'sand' of facts.

We will, however, offer a few considerations and perspectives for each of the cases that may be relevant to explore when solving such business cases.

We strongly recommend: Don't review these considerations until trying to solve the cases by yourself

PharmaCo – A Possible Solution

a. First, we should properly understand the question at hand: we need to recommend 1 new market from 3 options given – Azerbaijan, Romania and South Africa. There is very little data given and from various sources - this simulates real-life situations for a consultant where an educated recommendation is needed to be given based on incomplete data. As with all the other business cases, making ASSUMPTIONS is mandatory and needs to be thoroughly explained and vetted.

   Take a good look at Table 1 and Figure 1 – they both can be used to extract insights regarding which markets are stagnating in healthcare.

   One possible approach would be to use the **data** regarding the annual growth of the pharmaceutical business as an **anchor**. We know that 90% of all income comes from USA and Canada and that the majority of it (70%) is from pharmaceutical sales. We can look for similar **indicators** between USA, Canada, and each of the 3 countries, and recommend the one which is most similar to what has happened in PharmaCo's active markets.

   A different approach may try to create a new **indicator** based on the WHO and the World Bank data by, for example, checking the ratio between change in Life

Expectancy at 60 and the Expenditure on Healthcare (for the same time-frame!).

Cross-referencing these **indicators** with other data given – extracting market sizes, R&D proficiency, etc., should lead you to a conclusion.

We urge you to try and tackle this question from several angles and see if your recommendation changes or not.

b. We know that PharmaCo's sales grew 5% annually since 2008. Given that 90% of the revenues come from the USA and Canada, we ASSUME that most of the growth comes from these regions.

   By looking at Figure 1, we learn that for the past few years, Canadian spend on healthcare is decreasing, while USA spend is roughly the same. On the other hand, from Table 1 we learn that the life expectancy in Canada grew by 5 percent-points more than in the USA for the same period.

   How do you interpret this situation, given the data presented?

