

Supply Chain Structural Change: Pharmaceutical Industry



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Industry Overview

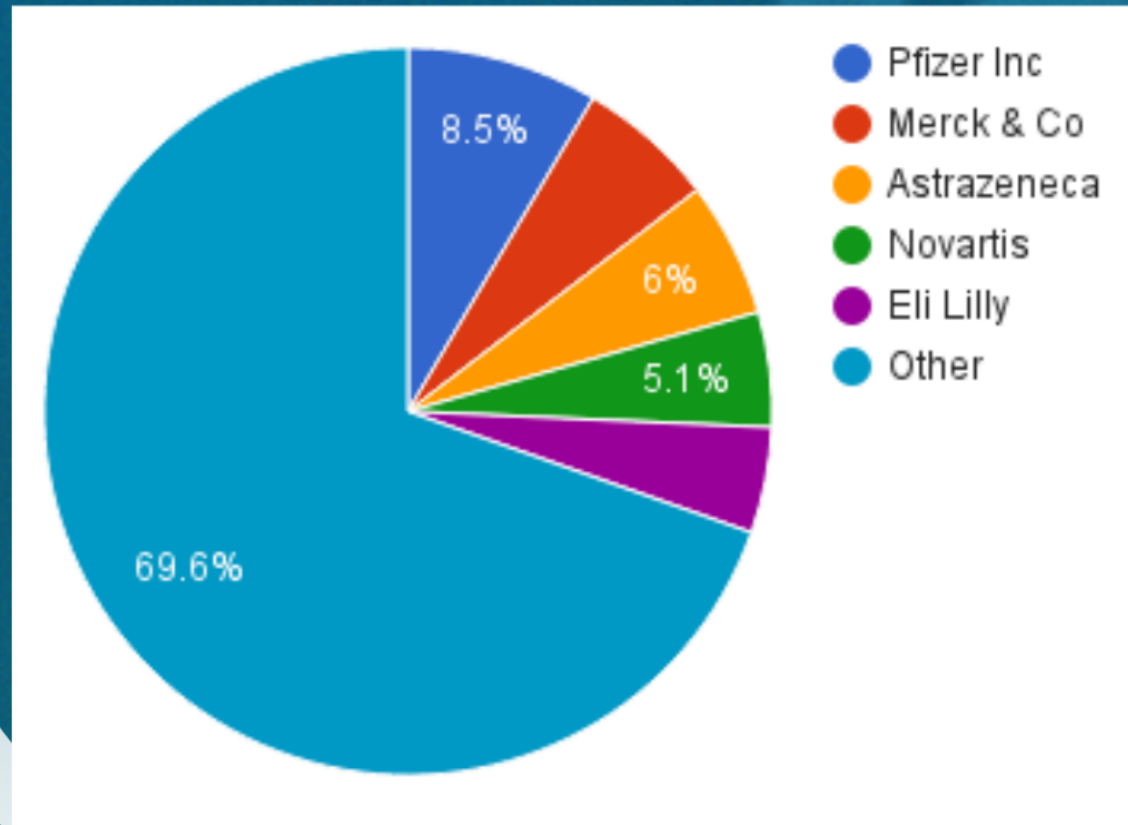
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- Highly profitable business sector –profit margins above 30%
- Biggest markets: US, Japan, Germany
- Low risk industry
- High capital intensity
- Growth of global prescription drug market 3% to \$770bn in 2016



Market Share

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Industry Facts and SCP

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"THE COMBINED PROFITS FOR THE TEN DRUG COMPANIES IN THE FORTUNE 500 WERE MORE THAN THE PROFITS FOR ALL THE OTHER 490 BUSINESSES PUT TOGETHER

Revenue of the worldwide pharmaceutical market

\$1057.2bn

Projected global spending on medicines by 2020

\$1,415bn

STRUCTURE- many buyers and sellers, high entry barriers, undifferentiated products

CONDUCT- huge marketing in industry, massive legal challenges, high R+D, varied pricing structures

PERFORMANCE- high technological progress, BUT regulated more by government

PESTEL ANALYSIS

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Socio-cultural

- Socio-cultural concerns: malnutrition, obesity expansion of diabetes.
- Issues which create threats to the industry
- Patients expectations' are changing
- Growing interest in alternative medicine

Economical

- Pharmaceutical industry resilient to economic fluctuations
- Economic crisis, but spending on healthcare continues to grow
- Countries with healthcare insurance models: reduction in individual disposed income

Political

- little political freedom
- Growing political focus and pressure on health care
- health care savings

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Technological

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- New technologies
- Increase of efficiency
- social media for health care
 - personalized advertisement
 - direct communication with customer
 - access to customer characteristics

Ecological

- Growing environmental awareness
- Corporate Social Responsibility

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Legal

- many legal restrictions
- Increasing litigation

Political

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