

GlaxoSmithKline: the shifting from Patented to Generic Drugs



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Abstract

Project description: Company name - GlaxoSmithKline

The main aim of this project is to discuss and analyse the company's diversification strategy into generics.

GlaxoSmithKline is one of the largest research-based pharmaceuticals and health care companies with the mission of improving the quality of human life by enabling people to do more feel better and live longer. The focus of the company lies in three different strategic areas such as delivering sustainable growth, reduce risk and improve their long-term financial performance.¹

By

- Growing a diversified global business
- Delivering more products of value
- Simplifying the operating model²

The company entered into branded generics through an alliance with South Africa's Aspen Pharm care Holdings, a major supplier of branded and generic pharmaceutical drugs. Due to this significant shift from patented drugs to branded generic drugs for emerging markets, it forms the basis of our project to look into the challenges and opportunities that GlaxoSmithKline would foresee in its change of strategy.

PROBLEM FORMULATION: How has branding strategy helped GSK in the shift from patented drugs to generic drugs?

- How has brand positioning been useful to GSK?

1 <http://www.gsk.com/responsibility/downloads/GSK-CR-2011-Report.pdf#changing-incentives> [Accessed July 29, 2012].

2 GlaxoSmithKline Plc, 2012a. GSK: Our Company. *GlaxoSmithKline Plc*. [online] Available at: <http://www.gsk.com/about/company.htm> [Accessed July 29, 2012].

- How has GlaxoSmithKline been affected by the transformation from patented drugs to branded generic drug through branding strategy?

Introduction

We are living in the society in which Pharmaceutical companies are becoming highly recognized today by adding their names to generic drugs.

Those companies get in fusion or joint themselves with no brand companies or smalls companies to get through the market all over the world. These strategies enable them to get through without even knowing the market. In order to understand this strategy, it is important to remember why generic brands are able to offer products at a low cost in the first place. It is not because associating a name adds to the expense; it is all of the other marketing and advertising that go along with it. Pharmaceutical companies can spend millions of dollars every year promoting their brands – which ends up getting passed along to consumers and their wallets. But simply putting a company name on a drug without all of the promotional material can go a long way towards increasing consumer confidence and company revenue.

The intent of this project is to discover how GSK have employed branding strategy even to generic drugs and have succeed in gaining customer trust, loyalty and satisfaction. Also, we will look into how the change of GlaxoSmithKline from patented drugs to generic drugs affected the company.

History of GlaxoSmithKline

GlaxoSmithKline has had a long and established history particularly with its consumer healthcare products like Panadol, Ribena, Horlicks and Eno. GSK brands are common household names and can be found in every kitchen and medicine cabinet.

Although the corporate entity GlaxoSmithKline is only ten years old, it traces its roots back to the 1715 establishment of the Plough Court Pharmacy in London, England. During the next 284 years John K. Smith's drugstore (established in 1830) and Joseph Nathan's Glaxo dried milk company (established in 1906) would undergo many acquisitions, mergers, and name changes, including the integration of the original Plough Court Pharmacy. On December 6, 1999 Glaxo Wellcome and SmithKline Beecham merged to form the corporation that exists today.

It is one of the top five pharmaceutical firms in the world, GlaxoSmithKline products spans the globe with sales in over 150 countries. Although the majority of their sales are in the United States and Europe, the rest of the world accounts for 26% of 2008's total sales. Their products are separated into two categories: pharmaceuticals and consumer health care. Pharmaceuticals can then be broken down into eight focus areas: respiratory, central nervous system, metabolic, cardiovascular and urogenital, anti-viral, anti-bacterial, oncology and emesis, and vaccines. Common examples include Flonase, Paxil, and Valtrex, and vaccines for influenza, hepatitis B, and poliovirus. The consumer health care section also includes a broad range of products such as over the counter medication, dental health products, and nutritional drinks. Examples of these brands include Aqua fresh, Abreva, Nicotine and Tums.

GlaxoSmithKline (GSK) is also working on the production of the H1N1 influenza vaccine, global consumer base, and diversity of products. In addition, they have a clear business strategy and a commitment to aiding those in the lower demographic. Its wide product range covers every aspect of healthcare from vaccines and over-the counter (OTC) medication to nutritional beverages, oral care and pharmaceuticals.

GSK has set up a comprehensive distribution system and specialist dealership scheme involving wholesalers, ensuring that the general public has constant access to all products all the time. The brand has penetrated the local market and has guaranteed that its products are highly visible and contribute to people's health.

GSK's Global Manufacturing & Supply division is a pioneer of the Good Manufacturing Practices (GMP) system. GMP regulations are based on the World Health Organisation's Code of Requirements, which the global Drug Control agency in turn bases its guidelines upon.

With its dynamic sales force and diligent management team, GSK is forging ahead with the GSK philosophy of making people do more, feel better and live longer ensuring GSK products are the preferred choice always.

The commercial development of GlaxoSmithKline is more focus on the business development department which identifies and evaluates the various outlets, including the acquisition and licensing of new products and services to develop and diversify the company's portfolio. However, the company has growth through expansion for the last years.

Company profile

This section aims to contribute to the better understanding of the rational functioning and effectiveness of this company .The company profile is to analyse GSK large Pharmaceutical Corporation and its involvement into the generic drugs markets.

GlaxoSmithKline (GSK) is a world leading research-based pharmaceutical company with a powerful combination of skills and resources that provides a platform for delivering strong growth in today's rapidly changing healthcare environment. GSK also has leadership in four major therapeutic areas - anti-infective, central nervous system (CNS), respiratory and gastro-intestinal/metabolic. In addition, it is a leader in the important area of vaccines and has a growing portfolio of oncology products.

1-

The company manufactures and supply system of GSK operates as a single global network. The company has more than 1 87 manufacturing sites and employ around 140.000employees in production. It has 2 types of manufacturing sites: there is a primary manufacturing site located in the UK, Ireland, the USA, Singapore and Australia. The secondary manufacturing sites convert the active compounds into finished products, there are 15 of these sites in Europe, 6 of them in north America , 5 in Latin America,5 in the middle east Africa, 15 in the Asia ,pacific ,Australia region,4 in china and 2 in Japan. Vaccine manufacturing is primarily located at two sites in Belgium.

GSK has various co-marketing and co-promotion agreement with other pharmaceutical companies and specially the generics drug companies.

In 2003 GSK held the second position in pharmaceutical market ,with a world market share of 9.6% .This is after Plizer, which had a share of 10.3% .GSK is a leader in the four therapeutic areas in vaccines.

Worldwide it had a market share of over 20% for respiratory treatments, share systems approximately 13%for anti-infective and close to 10% of the central nervous systems drugs.

GSK generic drugs manufacturing are seeking to bring generic version of manufacturing and most important products of the company to the market before patent expire .Generic market of GSK competing with paxil and augmentin company, launched in 2002 and 2003 and had considerable adverse impact on its sales and profits.³

The company has two divisions:

Business profile of GSK:

GSK is one of the world's largest research based pharmaceutical company that discover, develop, manufacturing and market human health products.

It is an innovative company that produces branded and generic drugs in the world, which it has developed itself.

GSK policies:

GSK policies in the markets is to improve the quality of human life by enabling people to do more and feel better and live longer , its key values are performance with integrity, entrepreneurial spiral focus on innovation in the sense of urgency and the passion for achievement.

GSK policies markets are divided in many steps such as:

-Employee practices: GSK will treat employees fairly, encourage world force divert and offer save and healthy working conditions.

-Leadership and vacancy: GSK will establish its own standards in the generic drugs markets and will seek to influence the others.

³ GSK annual report 2003 p.34

-Access to the medicine: GSK will continue to create medicines for developing countries, find suitable ways to provide access to medicines and seek partnerships to support it.

-Communities investment: GSK will invest in health and education program in partnerships for health in deeper in Europe and developing countries.

Research and innovation: GSK will ensure that its products are well evaluated and tested on safety, effectiveness and quality.

Mission and vision

GlaxoSmithKline have a challenging and inspiring mission to improve the quality of human life by enabling people to do more, feel better and live longer. The key behaviours which distinguish their successful people are innovative thinking, engaging and developing others, leading people and achieving excellence.

GSK carry out their business with the enthusiasm of entrepreneurs, excited by the constant search for innovation. They also have a strong culture of performance achieved with integrity. GSK is confident of attaining our set goals because our people work bring to the workplace an attitude of passion and positive energy.

Motivation

The inspiration behind this project to investigate the fact that GlaxoSmithKline, one of the largest research-based pharmaceuticals and health care companies is trying to improve the quality of human life by enabling people to do more on health care, so they feel better and live longer. This mission has led them to a world-leading position in developing new medicines, vaccines and consumer healthcare products that are used by millions of poor and rich people around the world.

GlaxoSmithKline shift from patented drugs to the branded generics continues to drive very successful in the world despite the competition. For instance, GlaxoSmithKline took a bold step on 23 July 2008 and entered into branded generics via an alliance with South Africa's Aspen Pharmacare Holdings, a major supplier of branded and generic pharmaceutical drugs all over the world.

Before that, the company was known as a normal brand company. Due to this significant shift from patented drugs to branded generic drugs for emerging markets, it forms the

basis of our project to look into the challenges and opportunities that GlaxoSmithKline would foresee in its change of strategy.

The challenge of improving healthcare and expanding access to more people is great, and no single organization can provide all the solutions. Healthcare companies have a role to play, and GlaxoSmithKline want to be a company that makes a difference.

Based on such concern, we intend to understand the change of GlaxoSmithKline Company from patented drugs to generic drugs.

Problem Area

These private enterprises and the generics drugs markets developed very fast because consumers in the emerging global markets often pay out-of-pocket for medicine and cannot afford the expensive brands, therefore pharmaceutical leader GlaxoSmithKline is by-passing the American market and heading straight to Europe, Asia, and Latin America where they can offer lower-priced, lower-profiled drugs to consumers who are not biased against generic branding. The generics drugs markets are growing very fast on consumer base on the emerging markets in the world because of the fact that in many countries, people are paying out of their pocket for their medicines and often cannot afford expensive brand name drugs. The change of GlaxoSmithKline can bring a fear of counterfeit drugs or low quality medicines. Therefore more and more companies are facing a large challenge by growing a diversified global business in order to strength their core competitiveness on the market. We will use the qualitative data to analyze and to understand the shifting process into delivering more products of value and simplifying of the operating model.

Thus our problem formulation:

How has branding strategy helped GlaxoSmithKline in the shift from patented drugs to branded generic drugs?

Working questions:

- ***How has brand positioning been useful to GSK?***

- *How has GlaxoSmithKline been affected by the transformation from patented drugs to branded generic drug through branding strategy?*

Project Design

In order for the reader to know what is important to focus on in the project, we will provide an account of the project design. The following are the 6 main chapters of this report.

- ✧ Introduction
- ✧ Methodology
- ✧ Theory
- ✧ Analysis
- ✧ Conclusions
- ✧ Afterthoughts/ limitations

The introductory section consists of introduction, Motivation and problem area, problem formulation and working questions as well as the project design.

Next is the methodology section, which will accounts for the methodological choices and considerations in this project. In addition, are the epistemological and the ontological positions. The type of data will also be included, which consists of books websites and other sources.

Follow by the theory section is made up the chosen theory and how it will be useful and its delimitations in this project.

Preceded by the analytical section, where we can find the two main working questions and the empirical materials gathered for each question. The initial section will displace the first working question “*How has brand positioning been useful to GSK?* “

By using the strategy of branding decisions, we will analyse how GlaxoSmithKline branding positioning is designed to enhance the identity of the generic products through the use of the unique brand names, symbols and other distinctive measures.

The next working question “*How has GlaxoSmithKline been affected by the transformation from patented drugs to branded generic drug through branding strategy?* “

And in this part, our analytical focus will be on both the positive and the negative outcomes of GlaxoSmithKline’s shifting.

Ultimately, the report ends with the conclusion and afterthoughts where we will further elaborate on our chosen approaches.

Philosophy of Social Science

Analysing the proposed topic, it is important to consider and reflect upon the methods and theory that are to be used carefully since those will be crucial for the course of the project and determine our ontology as well as epistemology. Therefore, the following chapter will be used to present our methodological decisions as well as the data collecting that we base our analysis on.

Methodological considerations

The purpose of this chapter is to look into the methodology of our project and clearly state the employed scientific approaches in this project report; by doing so, we will explain how we will analyse the research questions including the various methodological choices made during the writing process. Hence, we will account for our overall methodological approaches.

To help people use discourse more effectively, we must first understand its normal uses.

The purpose of this Unit is to provide an introduction to the topic of written discourse analysis

Discourse Analysis will, not provide absolute answers to a specific problem, but enable us to understand the conditions behind a specific "problem" and make us realize that the essence of that "problem", and its resolution, lie in its assumptions; the very assumptions that enable the existence of that "problem"

By enabling us to make this assumption explicit, Discourse Analysis aims at allowing us to view the "problem" from a higher stance and to gain a comprehensive view of the "problem" in relation to that "problem"

Discourse Analysis research/findings depends on the force and logic of one's arguments. Even the best constructed arguments are subject to their own deconstructive reading and counter-interpretations.⁴

We are doing *discourse analysis* of how branding strategy has help GSK in shifting from patented drug to branded drugs.

Discourse analysis is a form of qualitative content analysis and was first outlined by Foucault⁵. Its purpose is to look inside the text for meaning, and relationship between texts and with all discourse that exists simultaneously and has come before.

By using discourses, we will qualitatively analyse the data gathered from the webpage of GSK to determine how truth and meaning are established in a historically specific time and place, thus, the reason for employing qualitative research method, in order to get in-depth with our problem formulation. Foucault's method of describing discursive formations is primarily through historical and archival research, with special attention to the documents that give voice to the marginalized people and ideas of that particular moment in history.

⁴ Budd, John and Douglas Raber. (1996) "Discourse Analysis: Method and Application in the Study of Information." *Information Processing & Management* 32, p. 217-226

⁵ Foucault, M. (1969) *The Archaeology of Knowledge*, London: Tavistock

We will employ a deductive reasoning which works from the more general approach to the more specific approach. At the same time, conclusion follows logically from premises.

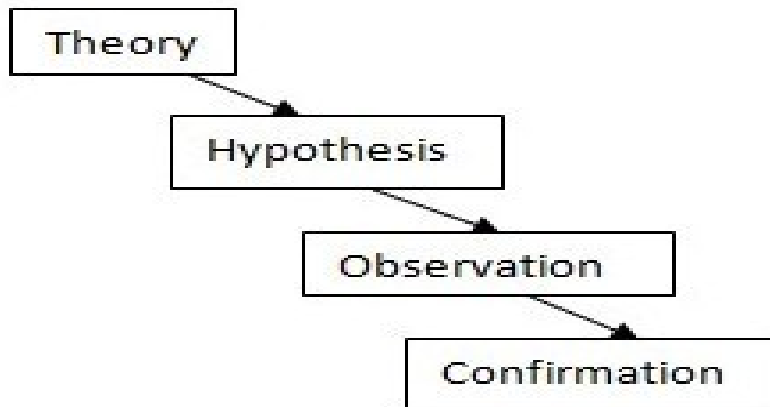


Figure 1

The research strategy for this project is based on a ***deductive analytical*** strategy which is explained as working from the more general to the more specific. We begin with thinking up our branding theory about GSK branding strategy then we narrowed that down into more specific *hypotheses* that we can test. We will narrow down even further when we collect *data* to address the hypotheses. This ultimately leads us to be able to test the hypotheses with specific data -- a *confirmation* (or not) of our original theory.

With a deductive approach we will employ ***qualitative research method***. This is so, because we regard this as being the most efficient in our case, as we are interested in going in depth with the addressed issues and thoroughly analyse the process of the shifting through branding strategy. However in order to increase the validity and relevance of our study, we intend to obtain empirical data consisting of articles, online databases, research reports, books and finally established theories.

Epistemology & Ontology

As stated above, we are doing Discourse analysis which is part of the Constructivist (or Social Constructivist) approach within the social sciences. It assumes that basic assumptions with regard to being, self and the world are constructed by individuals living in a historical and cultural context which is produced and reproduced by their speech acts.

Therefore, based on the project's rather qualitative nature as discussed in the previous section, we adhere to a **constructivist ontological** position as we base our research on the argument that the existence of reality is constructed rather than simply discovered.⁶ The idea of external world is dependent on the individual mind. So through this view, reality is considered as real only to the extent that individuals think of it as real.⁷

Therefore, social phenomena and social reality is following this view, constructed through the human mind leading to a state of as many realities as there are people.

With that, we have decided to take an **interpretivist epistemological** stance which acknowledges the fact that , we as researchers, come from different background with different cultures and set of values and that it is impossible to be completely objective.⁸ Also, after the collection of our data, we will not be able to get a direct understanding of the data until we apply our interpretation of the gathered data. Although we are aware that one of the weaknesses of this type of content analysis is that it is always dependent on the analyst's interpretation, and is thus the product of that person's bias, filters, or prejudices. With this concern we intend to be constantly reflexive of our actions and take stock of our involvement.

6 Blaikie, N. (2007) Approaches to social enquiry, p. 19)

7 Ibid., p. 16)

8 Bryman, A. (2008) Social Research Methods (3rd ed.) New York: Oxford University Press, pp.593

Doing a qualitative discourse analysis of our data will aid in revealing and understanding the social construction of our social phenomena in our project, however, we are aware of constructivist views do not consider reality that may exist externally to individuals.⁹

Methods

In this section, we will discuss the advantages and limitations of the research methods that are being utilized in this project. This includes: the deductive analytical strategy, qualitative research methods and analysing of gathered secondary data

Qualitative research Methods

This scientific approach will aid in obtaining understanding through description and explanation of the empirical data. The reason for this approach is that it will provide more in-depth and comprehensive data since the nature of the problem is more complex to answer by a yes or no hypothesis through questionnaire. With this, we make fewer assumptions and this is good for our explanatory research.¹⁰

It also gives the advantage to investigate problems that cannot be quantified, for instance individual experiences. Also, for us as researchers, we will gain more detailed and rich data in the form of comprehensive written descriptions or visual evidence, such as photographs. This type of research looks at context and social meaning and how it affects individuals, and in our case, GlaxoSmithKline.

Data

The materials which will be used to analyse this particular problem in this project will be solely primary data due to the nature of the problem. This will make provision for comparison of data gathered, as well as benefiting from other researchers in this field which for the most part will ensure quality data

9 Bryman, A. (2008) Social Research Methods (3rd ed.) New York: Oxford University Press, pp.20

10 Uwe, Flick, (2002) An introduction to qualitative research, 2nd ed. London: sage)

Generally speaking, primary sources are those data which are unpublished and which the researcher has gathered from the people or organization directly, and we are acquiring our data from the webpage of GSK and other sources such as books, articles etc. which have been previously published.

Theory

In this theoretical chapter, we will present our opted theories, which will provide the basic knowledge necessitated in analysing our empirical data.

The strategy of **branding decision** will be applied as the chosen theory. The purpose of this is to aid in answering our problem formulation.



© Pearson Education 2009

Figure 2

As seen in the above figure, the brand strategy decision consists of four categories, which are the brand position, the brand name selection, brand sponsorship and brand development. However in this project will only deal more with the brand position.

Our purpose of choosing this theory is that it relates directly to our problem formulation and with this theory we will able to follow closely how GSK has employed branding

strategy, specifically, branding position in their shifting from patented drugs to generic drugs.

According to Ghodeswar, Branding signifies to the customers the source of the product, and products both to the customers and the producers from competitors who would attempt to provide products that appear to be identical. From the customer's point of view, a brand can be defined as the total accumulation of the customer's experiences and is built at all points of contact with the customer.¹¹

Definition of a brand

Brand is a name, term, sign, symbol or design, or combination of these intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.¹²

Therefore what is brand identity?

Brand identity is the noticeable elements of a brand, for instance - Trademark color, logo, name, and symbol that identify and differentiates a brand in target audience mind. It is a crucial means to grow a company's brand. It is the aggregation of what all that an organization does. It is an organization's mission, personality, promise to the consumers and competitive advantages. It includes the thinking, feelings and expectations of the target market or consumers. It is a means of identifying and distinguishing an organization from another. An organization having unique brand identity have improved brand awareness, motivated team of employees who feel proud working in a well branded organization, active buyers, and corporate style.

Brand identity leads to brand loyalty, brand preference, high credibility, good prices and good financial returns. It helps the organization to express to the customers and the target market the kind of organization it is. It assures the customers again that you are who you say you are. It establishes an immediate connection between the organization and

11 Bhimrao M. Ghodeswar, "Building brand identity in competitive markets: a conceptual model", Emerald 17, (2008)

12 Kotler, P. & Armstrong, G. (2006) *Principles of Marketing*, 11th ed.), United State of America, Pearson Prentice Hall

consumers. Brand identity should be sustainable. It is crucial so that the consumers instantly correlate with your product or service.

What is brand personality?

Brand personality is the way a brand speaks and behaves. It means assigning human personality traits or characteristics to a brand so as to achieve differentiation.¹³ These characteristics signify brand behaviour through both individuals representing the brand (i.e. it is employees) as well as through advertising, packaging, etc. When brand image or brand identity is expressed in terms of human traits, it is called brand personality.

Brand personality is therefore the result of all the consumer's experiences with the brand. It is unique and long lasting.

However, Brand personality must be differentiated from brand image, in sense that, while brand image denote the tangible, such as the physical and functional benefits and attributes of a brand, brand personality indicates emotional associations of the brand. If brand image is comprehensive brand according to consumers' opinion, brand personality is that aspect of comprehensive brand which generates its emotional character and associations in consumers' mind.

Brand personality develops brand equity. It sets the brand attitude. It is a key input into the look and feel of any communication or marketing activity by the brand. It helps in gaining thorough knowledge of customers feelings about the brand. Brand personality differentiates among brands specifically when they are alike in many attributes. For instance - GSK versus ASPEN. Brand personality is used to make the brand strategy lively, that is, to implement brand strategy. Brand personality indicates the kind of relationship a customer has with the brand. It is a means by which a customer communicates his own identity.

Brand personality not only includes the personality features/characteristics, but also the demographic features like age, gender or class and psychographic features. Personality traits are what the brand exists for.

13 John F. Tanner, Jr., Mary Anne Raymond, v 1.0 Principles of Marketing. Flat World Knowledge

From the definitions seen above, it is very important for a company to be well positioned both in the market and in the minds of its customers.

Therefore, what is brand positioning?

According to Phillip Kotler, brand positioning is how the product is perceived in the minds of the customers in relation to competitors brand in the market. He defines positioning as “the way the product is defined by consumers on important attributes - the place the product occupies in consumers’ minds relative to competing products.”¹⁴

Brand positioning is a continuous communication to consumers via advertising, personal experiences with the brand, word of mouth, company web pages etc.

Branding poses challenging decisions to marketer, and therefore marketers need to position their brand clearly in target customer’s mind. The brand can be positioned on any of the three levels known as:

Attributes, which is the lowest level of the three positions, since it is the least desirable level of positioning. It is how companies can differentiate the product itself (*Product Differentiation*), on attributes as “innovation, consistency, durability, reliability or reparability”.¹⁵ Customers are more concern and interested in what the attribute of the product can do for them instead and not the impressive talk about the attribute associated with the product. Also, it is very easy for competitors to copy attributes.

Customers would prefer if a brand can be positioned by associating its name with a desirable **benefit than attributes**. This is where marketers focus on what the product works for.

Lastly is the **brand beliefs and values**. It is evident that the strongest brands go beyond attributes and benefits, but rather they are positioned on strong beliefs and values. Brand experts Marc Gobe argues that in order to attain successful brands, companies or marketer must engage their customers on a deeper level by touching a universal emotion.¹⁶

¹⁴ Kotler, P. (2002), Marketing Management, Prentice Hall p. 269

¹⁵ Kotler, P. (2002), Marketing Management, Prentice Hall p. 360

¹⁶ Joseph Webber, “3M’s Big Cleanup,” *Business Week*, June 5, 2000, pp.96-98

Conclusion

After the above discovering of positioning strategy, the concept of branding is a crucial part of a company's differentiation. It has become clear that GSK stands for improving the quality of human life at reasonable prices. It offers a range of products for the whole family which are available in global local pharmacies,

GSK has been extremely successful because their marketing mixes are consistent with their images and thus they are able to maintain their position through consistent performance and communication.

Analysis

In this section, the definition for *generic and branded products* (in this case, drugs) will be accounted for. As a well as the two working questions in the project, will addressed, analysed and answered with the gather data.

Working Question 1: How has brand positioning been useful to GSK?

Since GSK is relatively large companies and is found in numerous countries, we will narrow our focus to the information from their headquarters which is situated in London UK.

According to Sir Andrew Witty, Chief Executive officer of GSK, Pharmaceutical industry is very complex and dynamic in nature. Various sorts of unprecedented challenges are faced by the industry. There is a constant increase of pressure from healthcare providers, regulatory issues and patent expires. These have contributed to an environment that has subjected to lower growth and high risk factors.¹⁷ GlaxoSmithKline has concentrated their business on three primary priorities i.e., growing diversified global business, delivering more products of value and simplifying the operating model. Through these priorities they aim to deliver sustainable growth, improve long-term financial performance and reduce risks and thus adhere to their mission of improving quality of human life that enables people to do more, feel better and live longer.¹⁸

¹⁷ Annual Report: GlaxoSmithKline Plc. 2011

¹⁸ GlaxoSmithKline Plc., 2012b

SWOT Analysis:

Strengths:

- GSK has Strong Sales.
- Their balance sheet and financial statements is good and comprehensive.
- Good marketing infrastructure.
- It has strength in Industry leading R&D team.
- GSK has an effective implementation and execution of strategic priorities, life cycle management strategies and business fundamentals.
- It also has the ability to reduce on costs.

Weaknesses:

- GSK, has no clear, widely shared goals for the system
- Lack of sustainable training and management skills
- It faces difficulties with continuity of care (leading to frequent cases of patients lost in system)
- Raising cost sharing- this is as an expression of inability to cope with cost increases
- The inter-sectorial linkages between health care, public health and social care is poor
- The possibility of Co-marketing agreements limiting GSK's global presence
- It also has an unsustainable revenue base
- The company is geographically and diversely located
- GSK has a low ability to retain the professionals
- The ratio of different competences is unfavourable

Opportunities:

- GSK possess a strong cash and assets position.

- It is an opportunity for GSK to entry into antibodies and biologics segment of market.
- GSK has the potential to deliver strong growth by R&D team.
- The effect of generic products sales on sales of the company.
- It also has the potential to expand business in emerging markets.
- Positive change in governmental and federal laws that may concerns with the healthcare.

Threats:

- ⌘ The threat of demographic change and ageing
- ⌘ The threat of counterfeit drugs being sold in competition with legitimate products
- ⌘ Higher expectations of people to health system
- ⌘ The increasing cost of drug trials and ever higher standards imposed by national drug approvals bodies.
- ⌘ An increase in the number of safety issues surrounding products
- ⌘ The threat of competition from products similar to GSK's in R&D that reaches the market close to or before GSK's products.
- ⌘ The ecological and public health threats
- ⌘ The new economic potential of emergent China, India and competition in diverse regional markets.
- ⌘ Patent expiry on drugs that generates strong income could be a threat

GSK has capitalized on its strengths and available opportunities over the years and has successfully minimized weaknesses and eliminated threats.¹⁹

¹⁹ Adapted from Annual Report: GlaxoSmithKline Plc. 2011

BCG Matrix:

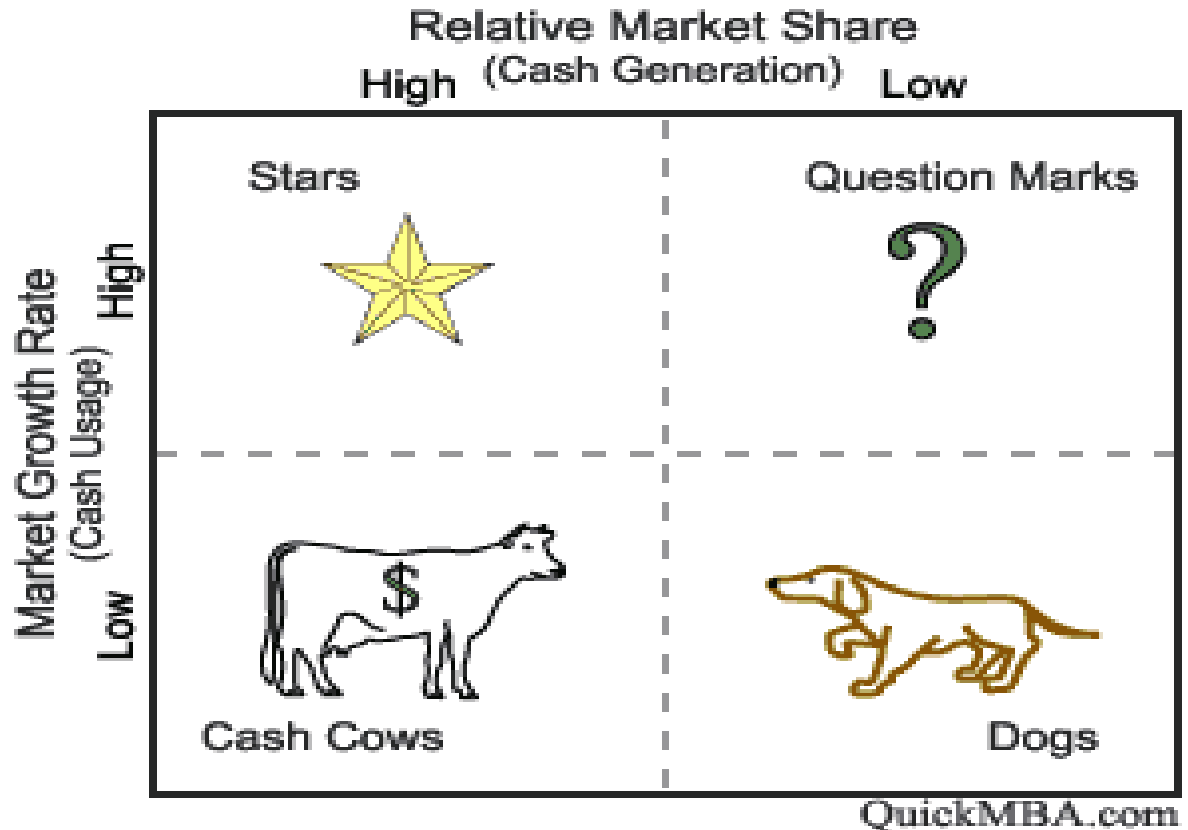


Figure 3

Source: Adapted from- Annual Report: GlaxoSmithKline Plc. 2011

Cash cows: are units with high market shares in a slow-growing industry. As a leader in a mature market, cash cows exhibit a return on assets that is greater than the market growth rate. Meaning, they generate more cash than they consume. These units are milked by extracting the profits and investing as little as possible.

Dogs: have a low market share and a low growth rate. It does not generate or consume large amount of cash but it is a cash trap due to the cash locked up in the less potential business.

Question marks: it is characterized by rapid growth and therefore consumes high amount of cash. However, they have low market shares and do not generate much money, but it has the potential to gain higher market shares and become a star and finally a cash cow when they market grow slow.

Stars: are units with a high market share in a fast growing industry, with the hope that the stars will eventually become cash cows if it is maintain in the category of leadership.

GSK has high relative market share and high market growth rate along with good cash flow. This puts GSK under “star” category in BCG matrix.

GSK has a product portfolio with a significant cash flow position this in turn has spurred on a meaningful gearing by GSK management. This puts the company firmly in a star performing position. With asset consolidation of \$23.5bn USD over three years, the company is likely to attain double-digit earnings growth, with mid-digit growth in 2012 impacted by generic competition.²⁰

Porter’s Five Forces:

- Threat of new entrants: Due to the high costs required to enter the pharmaceutical and healthcare industry, the threat of new entrants is quite low. The economies of scale for production may not be very significant but there are other barriers to entry. It is very timely and costly process to develop new products that requires extensive research and development.²¹ The government and federal laws and Food and Drug Administration impose strict rules and standards on the companies that can act as a barrier to entry. Patent expiries is a huge barrier for the new entrants in this industry, as the patents last about 20 years and thus the products are protected by their respective companies. The new firms trying to enter the

²⁰ www.gsk.com (Available 11/11/2012)

²¹ Kasapi, Z., 2011. Management as applied to New Products Penetration in the Competitive Environment of Pharmaceutical Industry. *Interdisciplinary Journal of Research in Business*, 1(10), pp.73–85. [online] Available at: <http://www.idjrb.com/articlepdf/idjrb10n1p9.pdf> (Available:10/10/2012)

market could find this very discouraging. The already established firms like GSK have constructed strong brand names and loyalty with its customers thus making it difficult for new firms to build up a competitive brand name.

Threat of substitutes: GSK faces a huge threat from generic brand medication- often seen as the main substitute of the products produced by pharmaceutical companies. Complementary Alternative Medicines (CAM) is another substitute of GSK products. The generics, CAM and brand names are the same product delivered to the customers, the only difference being name and price.²²

Bargaining power of buyers: Buyers do not pose significant threat on GSK, as the company spends most of its R&D to develop new patent products. The major consumers of products are doctors, pharmacists, patients, hospitals and other healthcare facilities. Considering the number of buyers in the market, the power of buyers is relatively small.²³

Bargaining power of suppliers: The main suppliers for GSK are labour, raw material providers, patient's in clinical trials, study staff, investigators and other ranging from production, marketing to distribution.²⁴ The suppliers hold immense power and can impose a considerable threat to the company by withholding supplies or reducing the quality of supplies and thus can have a major effect on GSK.

Rivalry among competitors: Pharmaceutical industry is very aggressive and dynamic. There is the constant struggle for market share within the dynamics of the industry based on innovation and new patent products. The rivalry is such in this environment where

22 Kasapi, Z., 2011. Management as applied to New Products Penetration in the Competitive Environment of Pharmaceutical Industry. *Interdisciplinary Journal of Research in Business*, 1(10), pp.73–85. [online] Available at: <http://www.idjrb.com/articlepdf/idjrb10n1p9.pdf>.

23 Otieno, C.J., 2006. Analysis of Strategic Alliance Deals in the Global CNS Industry. *Simon Fraser University Library*, (1). [online] Available at: [https://el.trc.gov.om/htmlroot/ENGG/tcolon/e_references/NDLTD/Industrial Biotechnology Engineering/Thesis/Analysis of strategic alliance deals in20the global CNS industry.pdf](https://el.trc.gov.om/htmlroot/ENGG/tcolon/e_references/NDLTD/Industrial%20Biotechnology%20Engineering/Thesis/Analysis%20of%20strategic%20alliance%20deals%20in%20the%20global%20CNS%20industry.pdf).

24 Ibid

only the strongest would survive.²⁵ GSK has used foresight and planning to position them for success in the long term.

Sub- conclusion: GSK should reduce risks and threats by broadening its range, expanding in to new product areas with potential and seizing opportunities across other geographic boundaries. It should explore the segment of vaccines, biopharmaceuticals and consumer healthcare that has definite potential and thus increase its sales growth. It should focus on the geographical potential of its business in emerging markets and economies. GSK should also focus on its R&D team- its training and development and new scientific discoveries to ensure constant delivery of current products and new products in future. The global restructuring program and the slight change in business model that can open channels of diversification and business growth could be expected to be more profitable in the long-term. It should concentrate on Return on Investment and reducing its working capital to sustain its current position and emerge as a market leader in future.

Analytical Section:

In this section it necessary to give an account of the definition of both patented and generic drugs. Followed by how successful GSK has positioned itself in the minds of its customers even in the shifting from patented drugs to generic drugs.

Generic Drug and Branded or patented Drug:

Generic drugs

A generic drug is an identical copy (bioequivalent) of a brand name (or proprietary) drug. Generics are exactly the same as their branded counterparts in dosage form, safety, and strength, route of administration, quality, performance characteristics and intended use. The notable difference between the two is the price.

²⁵ Kasapi, Z., 2011. Management as applied to New Products Penetration in the Competitive Environment of Pharmaceutical Industry. *Interdisciplinary Journal of Research in Business*, 1(10), pp.73–85. [online] Available at: <http://www.idjrb.com/articlepdf/idjrb10n1p9.pdf>.

Generic drug manufacturers incur fewer costs in creating the generic drug, as they do not have to cover the expense of drug discovery, or lengthy safety and efficacy trials. Instead generic makers' reverse-engineer known drug compounds. This means that generic manufacturers are able to maintain profitability while offering the drug at a much lower cost.

This is problematic for pharmaceutical companies who argue that generic copying reduces their profits and decreases the amount of money they can spend on researching and developing new antiretroviral drugs. In order for the proprietary drug makers to recoup the money they spent on drug creation, they are granted a 'patent' (an intellectual property right), which is an exclusive right that prevents others from making, using, selling, offering to sell, or importing their drug. The patent typically lasts for twenty years.²⁶

Branded/ Patented drugs:

The original manufacturer of a drug receives a patent on the drug and is the only manufacturer who can produce and sell the drug during this patent period. Once the patent expires, other manufacturers may produce and sell the drug. These manufacturers usually sell the drug under its common or generic name.

Patents are considered to be insurance for inventors, including research-based Pharma companies, since drug innovation risk, expense and time for its development. Any new drug that was developed came under patent protection.

Kotler believes that nowadays customers do not buy attributes and benefits, they buy brands. In making purchase decisions, consumers have more information at their at hand than ever before. But rather than serving to inform their decisions, this overloaded information from companies confuses customers to the point where the only way they can make a purchase decision is based on their own value judgments. The only way brands can make connections is therefore by articulating emotional benefits of a product

²⁶ <http://www.avert.org/generic.htm> (Available 10/12/20012)

that connect with a customer's value judgement. Attributes and benefits are just not enough.

According to Kotler, positioning is "the way the product is defined by consumers on important attributes - the place the product occupies in consumers' minds relative to competing products."²⁷

Consumers hold a complex set of perceptions, impressions and feelings for a particular product that compares with competing products. These perceptions, impressions and feelings do not emerge randomly but companies work thoroughly on influencing them in order to differentiate from other companies' products. However, before GSK is able to position its product, a target audience must be identified.²⁸

This is the role of market segmentation. After having segmented the market, GSK identifies its target group and the differences to competing products.

There are four areas in which GSK can differentiate its products from the competing products. That is through: "product, services, personnel and image" (Kotler (2002), p. 360)

GSK have differentiated itself through its products, personnel and image.

Looking at its Product Differentiation, it is built on attributes as "innovation, consistency, durability, reliability."²⁹

With Personnel Differentiation, GSK aims at training and educating their staffs in order to secure high skilled staffs.

Finally, the Image Differentiation which required that GSK had to work to "establish images that differentiate them from competitors."³⁰ Logos and adverts but also sponsorships are the main aids to develop a strong and distinct image in the customer's or public's mind. This is quite difficult and complicated task to accomplish, however GSK has been very successful in this regard so far.

²⁷ Kotler, P. (2002), Marketing Management, Prentice Hall p. 269

²⁸ . Dukta, Allan, *Product Positioning Overview*, article on www.marketingpower.com

²⁹ Kotler, P. (2002), Marketing Management, Prentice Hall p. 360

³⁰ Kotler, P. (2002), Marketing Management, Prentice Hall p. 363

So it can be stated that, branding is a process, a total experience a customer has with the company, its product or service

It is the experience customers have with the company, rather than what the companies provide. Most definitions of brand rely on what the company does, rather than the customer's experience.

Working Question 2

How has GlaxoSmithKline been affected by the transformation from patented drugs to branded generic drug?

Positives changes:

The world of pharmaceutical industry and more specifiable GlaxoSmithKline underwent true an important transformation during the change into brand generic products. To survive under the new market conditions, the company had to refocus their competitive strategies towards increasing productive efficiency and reinforcing research and development activities. The results suggest that pure technical efficiency change and the scale change of the technology explain most of the productivity growth observed during this period. The contribution of technical change to productivity growth is negligible.

.One consequence, the opportunity to develop a new market, less expensive drug products, is already having a positive impact on patient's cases and generic GSK bottom lines. Others, such as the role biosimilars will play in the future, remain to be seen.

Because generic equivalents are less expensive alternatives, they play a huge role in lowering health care costs.

The average retail price of a generic drug is lower than the retail price of a brand name drug. The generic market makes up a much smaller portion of drug spending, despite the fact that generic medications outnumber branded products by future.

The United States has one of the world's largest generic drug markets, dispensing almost all prescriptions in the retail setting as generics and GKS operating in all over the country. This proportion is expected to rise higher by becoming years, driven in part by

the patent face and also by strategies that third party payers, such as Medicare and private health plans, GSK have put into place to encourage generic use.

GSK brand generic is much more in poor countries or development. To improve health in developing countries, it is thus necessary that all actors of society, both nationally and internationally, that is for example governments, international institutions, the private sector and civil society as a whole, working side by side, creating new forms of partnership.

This is why GSK has lent its support to the commitment of the United Nations Secretary-General Kofi Annan for a global mobilization of new resources. GSK has new method to sell, and to gain steps in these poor areas and target more customers.

GlaxoSmithKline is visibly committed to its responsibilities by adopting an approach that is innovative, responsible and sustainable especially to cope with these challenges. While the industry has neither the mandate nor the expertise nor the resources to provide health care unilaterally, there are three key areas in which GSK has used to contribute and to achieve tangible and lasting results:

- 2- Continued investment in research and development on diseases that particularly affect poor countries. GSK is conducting research and development efforts, both in the field of prevention and treatment on the three diseases listed a top priority of the World Health who is HIV / AIDS, malaria and tuberculosis. This commitment is now long pursued actively and massively.
- 3- Offer preferential rates and long-term renewable for the Least Developed Countries (LDCs) and those of sub-Saharan Africa currently available drugs and they need it most. This policy of preferential tariffs practiced in recent years in the field of vaccines.
- 4- Play a role in outreach activities for effective health care. GlaxoSmithKline is currently involved in partnership projects funded by local industry in 96 countries around the world: donations additional commitment of its human resources and partnerships at the local level. We are also involved in the largest drug donation program in the world through an international partnership to eliminate lymphatic filarial. This donation will be maintained until this goal is achieved, which corresponds to the distribution of 5 to 6 billion doses of treatment. In the field of

HIV, the international subsidiary of GSK has implemented in 1998 a corporate foundation whose initial objective is to support the implementation of programs of care for people with HIV in the country development. Today, it supports twelve care programs underway in seven African countries.

In the past years, the structure of American pharmaceutical industry has changed intensely caused by the aging of population, the emerging of bio-pharmaceutical technology and fierce global competition. GlaxoSmithKline is one of the key players in the US, include the others players such as: Pfizer, Johnson & Johnson, Merck.

2007 Top Companies by U.S. Sales

RANK	Corporation	2007 Total Dollars (U.S. Billions)	2006 Total Dollars (U.S. Billions)	2005 Total Dollars (U.S. Billions)	2004 Total Dollars (U.S. Billions)	2003 Total Dollars (U.S. Billions)
1	PFIZER	23.5	26.8	27.3	31.1	29.3
2	GLAXOSMITHKLINE	20.1	21.8	20.0	18.9	18.5
3	MERCK & CO	17.6	16.7	15.4	15.3	14.0
4	JOHNSON & JOHNSON	16.3	16.1	16.0	16.7	15.4
5	ASTRAZENECA	15.5	14.7	12.7	11.5	10.1
6	AMGEN	14.3	14.5	11.9	9.7	7.7
7	NOVARTIS	13.9	13.9	13.0	11.6	10.5
8	HOFFMAN-LAROCHE	12.3	10.4	8.2	6.2	5.3
9	SANOFI AVENTIS	10.9	11.0	11.1	10.2	9.0
10	LILLY	10.3	9.2	8.7	8.2	7.7
	TOTAL ALL	286.5	276.1	253.9	239.9	219.6

Copyright IMS HEALTH, a healthcare information company

Source: IMS National Sales Perspectives™

Figure 4

American pharmaceutical companies paid great attention to the evolution of the generics drug market due to the free market competition and patent protection of new medicines in the US. Since the year of 2000, GSK expenditure has been maintaining an increase, even in 2008, impacted by the global financial crisis, GSK expenditure totalled at US \$65.2 billion, up 3.16% of last year.

There are 2,900 generics drugs currently in research in US, among which 750 are anticancer drugs, 312 drugs are for heart diseases, 150 are diabetes drugs and 109 are AIDS drugs, the rest 91 drugs are for the Alzheimer and senile dementia diseases.³¹

In 2009, the sales growth of drugs in the United States is expected to around 1% ~ 2%. The growth of biotechnology, special drugs and generic drugs will be higher than the average.

The report focus on the 30 pharmaceutical companies in the United States, including their profiles, revenue and profit, as well as their products, market distribution and development strategies in which GSK is one of the biggest on sales.

The development of the company's commitment on these three guidelines should contribute to improving health care in developing countries and the GSK image through the world. These actions, on-going for some decades, will continue in a sustainable manner and concentrated in the therapeutic areas, GSK has make more and one of the objectives of GSK is thus contribute to the development of new processes to make these medicines available and accessible in developing countries, according to a more holistic approach to health care. In light of the global health situation, access to medicines is a challenge that the pharmaceutical industry must respond. Legitimacy implies that it reaches today offer medicines adapted to the needs of these populations and contributes to solving the problem of access to medicines. GSK has created access to medicines in sub-Saharan Africa and the poorest countries one of its main priorities.

According to the Government Accountability Office (G A O), \$1 trillion was saved by the US health care system from 1999 to 2010 through generic substitution. Examining generic medications that have entered the market since 2001, the Generic Pharmaceutical Association reported a total cost savings of more than \$360 billion by the end of 2010. Patent settlements also contributed to cost savings, because 16 of th22generic drugs that came out in 2011 were launched prior to patent ex.

³¹ US Pharmaceutical Industry Report, 2008-2009, Available: 04/2009, P.117

Table

Examples of Recent Pharmaceutical Mergers and Acquisitions	
October 2010	A deal was announced in which Pfizer acquired King Pharma to help expand its market share of abuse-deterrent narcotic painkillers and offset losses from Lipitor going off patent.
February 2011	Sanofi acquired Genzyme to gain access to the rare disease market and help reduce the impact of generic products on its sales.
March 2011	Takeda completed its acquisition of Nycomed to help gain access to European markets as well as those in developing nations.
	Amgen acquired BioVex Group, Inc, a biotechnology company, which included rights to OncoVEX, a Phase III cancer vaccine.
April 2011	Novartis acquired Alcon, a global leader in products designed for eye diseases and conditions.
	Johnson & Johnson added trauma devices to its product line when it acquired Synthes, which had a 50% share of the market for skeletal injury products.
November 2011	Gilead agreed to purchase Pharmasset, which is developing an all-oral hepatitis C treatment now in clinical trials and on track to go to market in 2014.
January 2012	Bristol-Myers Squibb added a hepatitis C pipeline to its portfolio with the acquisition of Inhibitex, Inc.
April 2012	Watson Pharmaceuticals bought out Actavis in order to increase its market overseas in more than 40 countries.
	AstraZeneca made another deal this year when it acquired Ardea Biosciences Inc for its Phase III gout drug lesinurad.
June 2012	Bristol-Myers Squibb acquired Amylin Pharmaceuticals and entered into an agreement with AstraZeneca to collaborate on the marketing and development of Amylin's diabetes products.

Adapted from references 7-17.

China has become an attractive destination for those who are dealing with “pharmageddon.” Brand name companies and generic companies alike are seeking to expand to China due to the country’s growing economy. According to Nick Beckett, head of the life sciences industry group at CMS Cameron McKenna,

“[China] is currently the 5th largest pharmaceutical market globally, predicted to become 2nd by 2015. GSK emerged very high in China due to the fact that in this country generic brands are helping people to get to treatment and save money. Between 2007 and 2010, the generic market in China grew more than 25% a year on average and is forecast to grow about 14% a year in the coming few years.”

The generic companies have much to gain due to the series of patent expirations that began some years ago. Generic drugs increasingly are being favoured as a result of health care cost containment. While crisis slows operations in most areas of generics drugs, the pharmaceutical industry against GSK takes the foot. It is the turn of GlaxoSmithKline (GSK) to be passed to the offensive. The pharmaceutical company has formalized the acquisition of Stiefel for U.S. \$ 3.6 billion (2.8 billion euros).

Certainly, it is less compared to its evolution as GSK alliance with Aspen generics for drugs, but it will allow GSK to triple its turnover to the tune of \$ 1.5 billion, the very promising segment of dermatology. Besides the portfolio GSK has several products in development.

In fact, in this race to the size engage large laboratories, two strategies compete.

- There are those who proceed through mega-mergers (Pfizer, Roche, Merck).
- There are also those who prefer to opt for more targeted acquisitions: GSK and Sanofi-Aventis is giant French generics medications fall into this framework.³²

The pharmaceutical industry has beautifully showed strong profitability, especially compared to other sectors; it is not only the health that justifies all these movements. Despite the competition from generics, many laboratories have no alternative to a merger or an extension of scope. They face patent expiry of blockbuster drugs (for a decline in activity in the range of \$ 100 billion in the next few years and the rise of generics. Numerous drug companies have taken strides to reduce margins now with one eye on future growth by downsizing, merging with and acquiring other companies domestically

³² Frédéric St-Martin, GlaxoSmithKline: encouraging progress towards universal access to medicines. Health and education for all, Article. (Available: 25/02/ 2009)

and internationally, and focusing on biosimilars. As participants in these trends, generic companies should be well positioned to rise to the challenges presented by economic demands and manufacturing opportunities. All of these factors, along with China's latest patent change and growing drug market, mean that the future of the generic pharmaceutical market in the United States will undoubtedly be complex and exciting.³³ GSK announced the price reduction of all drugs in the poorest countries in the world, which means that the company has finally settled on the side of Oxfam (pharmaceutical company) and agrees that all diseases are in developing countries and we expect now is to see GSK to extend its offer to all developing countries and not to prevent generic alternatives to offer even cheaper in poorer countries, where reductions GSK are not sufficient. We will continue to encourage GSK to go through.³⁴

Negative changes:

Generic medications, subject to the production foul concurrency in highly regulated markets generic drugs provided not escape the laws of the market and the competition between the companies operating these drugs.

GSK also found negative changes because of regulations made by judges articulation between the competition rules and the objective of ensuring a high level of health and human protection, GSK will also follow a case-by-case regulation national and international their effects on the free movement of goods as well as their need with regard to the protection of public health highly regulated and losing more time than expected to GSK in its deliveries.

Generics do not escape the laws of the market. This is why GSK is found in many political and financial difficulties.

GSK announced that it would establish a patent for research on neglected diseases. These neglected diseases are not publicized. A patent pool is an agreement between two parties to one or more of their patents available "in community", allowing any third party to use.

³³ Frédéric St-Martin, GlaxoSmithKline: encouraging progress towards universal access to medicines. Health and education for all, Article. (Available: 25/02/ 2009)

³⁴ Ibid

A patent allows researchers to bypass the mountain patent that prevents them from sharing their knowledge and use of others to find new ways to develop new vaccines or drugs. It can also improve access to existing drugs.³⁵

It is exciting that GSK has accepted the concept of a patent because it has a deep meaning for many people. However, unless GSK and other companies make greater efforts to expand the concept of community patent to include treatments against HIV and AIDS and use it to improve access to medicines and not only innovation, we will not achieve our goal of universal access to medicines.

Moreover, as these laboratories recorded a decline in the productivity of their search, they have few alternatives available to them.

The phenomenon of concentration, however, should serve to provide greater resources for research.

As for the diversification of the product portfolio is a parade that should be more popular. GlaxoSmithKline wants to sell drugs cheaper in poor countries. He challenged his competitors to do the same.

GSK will reduce drug prices in 50 poorest countries in the world. The invoice will be raised to a level not exceeding 25% of the rates charged in the United Kingdom and the United States, less if possible.

This is the new CEO of GSK, Andrew Witty, who made the announcement, revealing the outlines of his new strategy in least developed countries to its promotion.

The boss of world number two pharmaceutical industry has challenged its competitors to follow his example.

In addition to the revision of tariffs, the new strategy also relies on the sharing of knowledge protected by patents and important research on rare diseases.

Despite the efforts of GSK, difficult access to patents deprive poor countries of more

³⁵ <http://www.gsk.com/content/dam/gsk/globals/documents/pdf/GSK-Annual-Report-2011.pdf> (Available: 17/11/2012)

generic drugs and cheaper.

In addition, the CEO of GSK stated that 20% of the profits made by the group in the least developed countries will be reinvested in health system hospitals, clinics, medical personnel

and this will cause a large deficit GSK

This situation of changes in GSK coincides with a less than favourable global economic outlook, which has driven patients and drug developers to look for ways to cut costs. Pharmaceutical companies, and particularly the ones that market the brand name drugs going off patent, have been anticipating this event for several years. Some have undergone restructuring to cut costs and offset their market losses. These actions have resulted in a lot of lost jobs in the industry within the past years as well as company mergers and acquisitions that have increasingly gone abroad. In addition, GlaxoSmithKline has investing in innovation with the hope of a brighter future, with many focused on specialty pharmaceuticals. Sales and profits at GlaxoSmithKline, Europe's largest drug maker, have been hit by austerity measures in Europe and price cuts in some emerging markets, along with unrest in the Middle East.³⁶

The group's first-quarter results missed analysts' expectations, and sent its shares down 3.1%.GSK said that the price reductions imposed by cash-strapped European governments as part of cutbacks in healthcare spending were bigger than expected and would probably average between 4% and 5% for the rest of the year.

Russia and Turkey have also cut spending. Political upheaval in the Middle East, where GSK is the market leader, has also dented sales, as has a mild flu season on winter.

GSK has been reducing the group's reliance on what he calls "white pills in western markets", which are particularly vulnerable to price cuts and competition from generic drug makers. Sales in Europe, and the Middle East and Africa of GSK, dropped by 6%,

³⁶ GSK generate responsibility report 2003.p.32

but Witty was confident sales from emerging markets would soon return to the more normal growth rate of 11% or more.³⁷

Turnover and core operating profits grew by 1% between January and March, with core earnings per share up 5% at 27.3p. Quarterly sales of £6.6bn fell short of City expectations of £6.8bn; Net profits were down 13% to £1.3bn.

The company is largely over the "patent cliff" – a trough caused by patent expiration on big-selling drugs – though there is uncertainty over when the lung drug Advair, one of GSK's best sellers, will face generic competition. It also unclear whether the follow-on medicine, Relovair, which showed mixed results in clinical trials, can plug the gap. Witty said the drug maker had received positive data for five products in late-stage development to treat HIV, cancer, diabetes and asthma.

GSK's late-stage pipeline has been slowly improving, overall, a mixed quarter, yet the long-term growth with GSK continues to look comparatively bad.

The pharmaceutical company is also trying to replenish its drug portfolio by buying in medicines. GSK pounced on its long-term partner Human Genome Sciences with a \$2.6bn (£1.6bn) offer, which was swiftly rebuffed by the Maryland-based biotech firm.³⁸ The acquisition of the agreement would give the GSK company full ownership and the right to the first new treatment for lupus in half a century and Human Genome's only product on the market, as well as experimental diabetes and heart treatments. GSK still finds a way to improve and target customer in all medication market.

³⁷ <http://www.gsk.com/content/dam/gsk/globals/documents/pdf/GSK-Annual-Report-2011.pdf>
(Available: 01/12/2012)

³⁸ <http://www.guardian.co.uk/business/2012/apr/25/glaxosmithkline-shares-slide-first-quarter>

Conclusion

Despite the dominance of the pharmaceutical markets in the world, GSK has continued the strategy of development world based on production to increase their international sales as the research development. Although it is known that GSK inconvenient by decrease in sales, the company has also taken a leap forward after its decision to generics products and had an increase, thanks to the sale of generics medicines in poor countries and countries where the cost of the drug are very high and are not reimbursed by the government like in the US.

GlaxoSmithKline's diversification strategy was to maintain its position in the emerging market and to get access to a broad range of low-cost branded but unpatented drugs. Although GSK took a breakthrough entry into the emerging market for branded generics it face a lot of challenges Intellectual property (IP) exposure and drug pricing controls.³⁹

³⁹ <http://www.ukessays.com/essays/marketing/glaxosmithklines-diversification-strategy-and-market-analysis-marketing-essay.php#ixzz2D2aqPyCV> (Available: 23/11/2012)

Afterthoughts

The main aim of this project was to look into how a company as GSK, known for patented drugs has successfully entered in the generic market. Initially, we were going to look into what success drivers were employed in the transformation from patent drugs to generic drugs. Although, it will be interesting to know the success drivers, we could not generate any concrete problem to work with within this area. This led us to focus on one success driver, which is the brand positioning, which we believe have played a major role in the shifting.

So in this chapter, we will focus on giving account on the limitations this project has been exposed to.

The major, limitations are time and resources and financial limitations, because if we had more time, we could have looked into other success drivers such as the company's marketing strategies and how they have all contributed in the shifting from patent to generic drugs.

Also, conducting a meeting with the marketing manager of GSK, London, would have giving us a more detailed information about the shifting process and not just the information found on their webpage.

If we had had much time, we could also have conducted a semi structured interview of the population to discover the perception customers have of GSK. And also, it would be interesting to know the place GSK occupies in the minds of its consumers.

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