

# Strategic Recommendations Based on Pfizer's Core Competitiveness

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**Abstract:** Pfizer's competition in the pharmaceutical industry at home and abroad is fierce, Pfizer is also the largest pharmaceutical company in the world. China's pharmaceutical market development potential is huge, so the choice and implementation of a correct and effective development strategy is the key to maintain Pfizer's global leadership. This article first gives a general introduction to Pfizer. Secondly, based on the macro environment facing Pfizer, this paper expounds Pfizer's mission, vision and value statement, and further analyzes the corporate strategy at the corporate, business and functional levels. Then through the analysis of the industrial environment facing Pfizer, the positive and negative factors of the specific strategy are summarized. Finally, based on its core competitiveness, put forward strategic suggestions.

## 1. Introduction

When it comes to pharmaceutical companies, the first we think of is Pfizer. With the rapid development of information technology, a number of enterprises continue enter the market. At the same time, 2020 is destined to be an extraordinary year, this year has been a continuous withdrawal of enterprises from the market. At this time, it is inevitable to think about what the remaining enterprises are relying on, what are their corporate strategies, and what efforts they have made to base themselves on the market.

At present, there are a lot of literature on Pfizer strategy research at home and abroad, but it is either for macro level analysis or micro level analysis, few articles are combined with macro and micro level specific analysis.

After analyzing Pfizer's environment, this paper further analyzes the industrial environment and summarizes the positive and negative factors of its specific strategy, so as to provide reference for more pharmaceutical enterprises.

## 2. Company Profile

### 2.1 Basic Information

Pfizer is one of the world's largest pharmaceutical companies. So far, it has a history of more than 170 years, committed to the use of science and technology and resources around the world to improve healthy lifestyles for people of different ages in different countries around the world. In the exploration, development and production of drugs, having diversified global health products, including biological drugs, small molecule drugs and vaccines. Pfizer is also working with health organizations in other countries, elites from all walks of life and citizens from all walks of life to provide health services that are mentally reliable and economically viable for all people around the world. Revenue was \$53.6 billion in 2018, With 40 production bases around the world, operating in about 125 countries and territories. There are eight products with sales of more than \$1 billion. There are more than 90000 employees in the world [1].

Pfizer is one of the world's largest and most powerful pharmaceutical companies, with top R & D centers in Shanghai and Wuhan. Shanghai's R & D center (As shown in Figure 1) is also a research and development hub in the Asia-Pacific region. Pfizer China has a total R & D investment

of more than \$150 million and more than 900 R & D personnel. Pfizer has also invested more than \$1 billion in Dalian, Suzhou, Wuxi and Hangzhou to set up production bases, covering cardiovascular, tumor, multivitamins, calcium supplements and other fields, such as Lipitor, Luohuoxi, Wanaike, Dafukang, Shupushen, Heishumei, Taichan, Xilomou, Zuo Luofu, YiNuosi, Shankang, Qiao Erqi and so on. There are approximately 10,000 employees in Pfizer China and has expanded its business in about 300 cities in China, reporting its results directly to US headquarters.

**Figure 1.** Pfizer Shanghai R & D Center



## **2.2 Development History**

In 1849, Charles Pfizer and Charles Earhart founded Charles Pfizer in Brooklyn, New York.

In 1928, when Sir Fleming discovered penicillin, Pfizer began to move into the field of antibiotics. A few years later, Pfizer began studying the fermentation process and using it to produce citric acid and penicillin. So far, the pharmaceutical world has believed Pfizer is leading a revolutionary revolution in fermentation technology.

In 1951, Pfizer established operations in Cuba, the United Kingdom, India, Mexico and Puerto Rico.

In 1971, the Central Research Department was established to combine research and development activities in pharmaceutical, agricultural and chemical industries worldwide. It later included laboratories in Britain, France, Japan and the United States.

In 1995, Pfizer's Animal Health Group acquired SmithKline Beecham company's animal health business, which made Pfizer a leader in livestock and pet medicine.

In 1999, the 150th year of Pfizer's founding, Pfizer took another big step to the world's number one pharmaceutical company, placing it on Forbes magazine's "the best company of the year".

In 2004, China headquarters was established in Shanghai, followed by Pfizer R & D center in Shanghai.

In 2009, Pfizer acquired Wyeth for \$68 billion, becoming China's largest R & D multinational biopharmaceutical company, with modern factories in Dalian, Suzhou, Wuxi and Wuhan.

## **3. Value Creation Strategy**

### **3.1 Macro-environmental Analysis**

#### **3.1.1 Political Environment**

The policy environment of pharmaceutical industry changes mainly in two aspects. The first one is drug price reduction. The profit space of pharmaceutical enterprises is gradually depressed, enterprises are facing great pressure. The second one is drug supervision. The implementation of the "Drug Production Quality Management Standard "(GMP)[2] began in 1995, the " Drug Trade Quality Management Standard "(GSP) began in 1998, and the new version began in 2010 GMP, thus it's critical for government to supervise the pharmaceutical industry strictly.

### **3.1.2 Financial Environment**

Since the reform and opening up, China's economy has developed rapidly, which is undoubtedly a good platform for enterprises developing in China's pharmaceutical market.

### **3.1.3 Socio-cultural Environment**

The living standard of residents is improving, the consciousness of health and hygiene is increasing, and the demand for medicine is increasing rapidly, which provides an opportunity for the development of pharmaceutical enterprises [3].

### **3.1.4 Technical Environment**

Many patents for patented drugs are facing expiration, while generic drugs are cheap and effective. Patent drugs will soon be replaced by generic drugs, exacerbating competition in the pharmaceutical industry [5].

## **3.2 Mission, Vision and Values Statement**

### **3.2.1 Mission Statement**

Pfizer's mission is to become an innovative biopharmaceutical company.

### **3.2.2 Vision Statement**

To develop perfect innovative products, top domestic and foreign technology and industry first production efficiency, to become the guardian of the health of hundreds of millions of Chinese people and the banner of the pharmaceutical industry, to meet the needs of consumers at different levels for a healthy and quality life through its products, while attracting and retaining talented people and providing the best quality of service[6].

### **3.2.3 Values Statement**

"Customer first, community spirit, respect others, strive for the top, team spirit, leadership, moral concept, pursuit of quality, innovation and creation"[7] for corporate values, strive to become recognized as the world's most valuable enterprise[4].

## **3.3 Enterprise Strategy**

Corporate strategy is to do the best in every link in the pharmaceutical industry value chain, to provide everyone and animals around the world with the best technology and the best quality products, to become their guardian. And working together with the world's health care institutions, governments and humanity to broaden the scope of service and become a more humane pharmaceutical enterprise. Specific can be discussed from the following three levels: corporate layer, business layer, functional layer[8].

### **3.3.1 Corporate Layer**

Pfizer continues to expand beyond its original field, covering medical care, animal health care, consumer health products, try its best to ensure that its business in China has covered all areas involved in the current Chinese market. Pfizer global synchronization and localization transformation, insist on the scale of operation and comparative advantage balance of investment principles, constantly develop new markets, through mergers and acquisitions to increase the product portfolio. The R & D strategy, although through M & A, it may be easy to get new drugs, but the costs and risks are high, and the integration problem after mergers and acquisitions is time-consuming and may eventually fail. Therefore, new drugs, such as research and development, must be obtained through other means. R & D has the characteristics of high risk, high investment and long cycle, which requires enterprises to constantly adjust the company strategy according to the market changes and the development of enterprises, and obtain the corresponding R & D results.

### **3.3.2 Operations Layer**

Pfizer uses scale effect to optimize resource allocation to take the leading strategy of cost, and at the same time to provide customers with more comprehensive product differentiation strategy.

### **3.3.3 Functional Layer**

Pfizer continues to invest heavily in research and development, discuss with excellent medical organizations from all over the world deeply, try to develop new technologies through innovative drug R & D to meet different customer needs.

In the market, in order to occupy more market share, Pfizer with one of its competitive advantages of the marketing team and good reputation of pharmaceutical products to achieve great success. It is embodied in the following two aspects. One is to select and set up a medical representative team, to place them in districts, and to establish good relations with medical and health institutions, school professors and all kinds of patients in their respective regions. The other one is that through cooperation can also complement each other, get other companies related technology, into other related areas. As far as human resources are concerned, Pfizer attaches great importance to employee job satisfaction. Not only will team building activities be regularly organized to encourage employees to try new food, but also pay attention to the personal development of employees, according to the performance evaluation of employees and management recommendations to regularly adjust the direction of development, for the company department to bring continuous ideas.

## **4. Analysis of Advantages and Disadvantages**

### **4.1. Industrial Environment**

Understanding the competitive environment of the enterprise can help the enterprise to fully evaluate the strategy of choice, so as to put forward enhance the profitability of enterprises and obtain relative competitive advantages. The five-force competition model is used here.

#### **4.1.1 Threats of Alternatives or Services**

Because almost all drugs have their special uses, the substitutability of drugs is not strong. First of all, consumers of famous pharmaceutical companies star drugs are in brand loyalty. Secondly, the patentability of drugs is also protected by law [9].

#### **4.1.2 Existing Competitors**

(1) At present, the core competitiveness of multinational pharmaceutical enterprises is oriented to R & D, in order to look forward to the success of new patented drugs and heavy drugs, so as to obtain a huge market share, earn profits, and then invest a lot of funds for R & D, a virtuous circle. Pfizer's patent Lipitor, for example, contributed 25% of Pfizer's sales to \$13 billion a year during patent protection.

(2) Once the patent drug has passed the protection period, generic drugs will become its strong competitors. Because patented drugs have the characteristics of high investment, high risk and long cycle, but in contrast, generic drugs have low investment and low risk, and can also provide corresponding profits. Therefore, there will be a lot of small-scale pharmaceutical companies to develop generic drugs, exacerbating market competition.

#### **4.1.3 Vendor Bargaining Power**

On the one hand, most of the domestic suppliers of pharmaceutical raw materials are not big, which to some extent limits their power of bargaining. On the other hand, many suppliers like Pfizer do not want it. Therefore, it must not be affected by bargaining power[11].

#### **4.1.4 Customer Bargaining Power**

Since 2000, the price of medicines has started to be strictly controlled by our government. Furthermore, consumers are demanding more and more drug quality, which to some extent compresses Pfizer's profit margin and intensifies the low-cost competition in the pharmaceutical

industry.

#### **4.1.5 Threat of New Entrants**

The government's strict control of drug prices and the rise of the field of imitation medicine, although driving the increasingly fierce competition, but brand loyalty of customers to drugs, the characteristics of high investment in the pharmaceutical industry for a long period and the protection of patent technology by law have made the pharmaceutical industry entry barriers higher and have little impact on Pfizer.

### **4.2. Analysis of Advantages and Disadvantages**

#### **4.2.1 Positive Aspects**

(1) Pfizer has strong assets and sufficient funds

It is beneficial to the diversified capital operation of related and non-related industries, the merger and acquisition of other pharmaceutical enterprises and the expansion of market share.

(2) Enjoy a global brand reputation

It is beneficial to establish strong brand loyalty and actively deal with the threat of existing competitors and new entrants in the market.

(3) Strong productive resources and capacities

From the 1980s, Pfizer has established pharmaceutical factories in Dalian, Suzhou and Wuxi.

#### **4.2.2 Negative Aspects**

(1) Weak R & D capacity

On the one hand, new drug's R & D is becoming more and more difficult, R & D cycle is long, R & D successful drugs are less and less. On the other hand, R & D investment accounts for the proportion of sales income in the same scale enterprises, R & D efficiency is not high. Lower than other large multinational pharmaceutical enterprises.

(2) Overreliance on patent medicines that are due to expire

In particular, Lipitor, Van Aike and other star products, once the patent is due, generic drugs will quickly replace patent drugs to take a large share of the market, threatening Pfizer-related market share[12].

(3) Low-cost threats

On the one hand, the government actively negotiated with enterprises to try to reduce the price of drugs; on the other hand, as people become more aware of the importance of health, they begin to focus on the efficacy and side effects of drugs. To some extent, Pfizer's profit margin, exacerbating low-cost competition in the pharmaceutical industry.

### **5. Strategic Implementation Recommendations**

#### **5.1 Pfizer Core Competitiveness**

On the basis of fully understanding the core competitiveness of Pfizer, combined with its core competitiveness, put forward effective suggestions.

##### **5.1.1 Strategic Decision-Making Competitiveness**

In the background of new medical reform, the competition of pharmaceutical industry has been transferred to the competition between the core industry value chain of enterprises. From the key factors such as marketing strategy, product innovation, operation mode, market strategy, channel and terminal, to the establishment and execution ability of organizational structure, the survival and development of the whole enterprise is closely related to any one of them. Pfizer can thoroughly analyze the internal and external environment, and quickly judge, accurately grasp the opportunity of strategic transformation leading market change.

Deep insight into the market, detailed analysis of the enterprise situation, timely formulation and adjustment of strategic direction. From the 2009 merger of Pfizer and Wyeth to the 2012 stripping

of Wyeth, Pfizer's forward-looking strategic vision. Pfizer has expanded rapidly through its merger with Wyeth, accounting for 86% of the pharmaceutical business, compared with a small number of diversified businesses. Faced with this problem, Pfizer in 2011 timely choice to withdraw from the diversified development path, focusing on the pharmaceutical field. Compared with the traditional pharmaceutical business, animal health products business and food business, the profit is low. Pfizer analyzes the problems and opportunities faced, and adopts the policy of shrinking to the main industry in time to ensure the maximization of shareholders' interests.

Large-scale entry into the generic drug market, joint venture model to achieve win-win. In June 2012, Pfizer entered into a joint venture with Haizheng Pharmaceutical Co. to produce generic drugs. The purpose of the joint venture is to realize the complementarity between the two sides in R & D, production management, marketing and so on. Through the cooperation between the two sides, we can better combine Haizheng's local resources and Pfizer's brand and management ability.

### **5.1.2 Innovative Competitiveness**

Pfizer insists on management innovation. Pfizer is actively exploring innovative ways of working with partners to make up for it. Their own shortcomings, further play to the advantages. Pfizer also attaches great importance to its internal management, building a series of processes and systems to ensure.

### **5.1.3 Brand Competitiveness**

In January 2013, Pfizer China won the titles "China's best employer of the year 2012" and "The most concerned employer of college students "in the Zhaopin recruitment organization's" China's best employer of the year "campaign. Pfizer won the award again after being named "China's best employer of the year" in 2011. According to the survey data, Pfizer exceeded the average of the six comprehensive evaluation index systems: salary and benefits, training and development, employer image, organization management, employer brand strategy and working environment.

## **5.2 Strategic Recommendations**

### **5.2.1 Innovative Operations Need to Focus on Resource Optimization and Cost Control**

In fact, in the process of innovation operation, the current cost is huge, how to ensure the efficient operation of innovation.

Under the premise, the cost can be controlled to achieve a balance, which Pfizer needs to solve a major problem. Because of the characteristics of the pharmaceutical industry, the conference cost of academic promotion accounts for a large part of the business operation. In addition to the use of modern videoconferencing, webcast and other forms of academic promotion, it is particularly important to optimize the allocation of resources and focus accurately on the target market.

### **5.2.2 Adjustment of Partial Market Positioning**

(1) Enhance the promotion of over-the-counter drugs. Selling patented prescription drugs only through pharmaceutical representatives is not enough, and the market awareness rate in the field of over-the-counter drugs is low. Pfizer should pay attention to this publicity.

(2) Strengthen the construction and publicity of terminal pharmacies. After the GSK incident, the government severely cracked down on "Dai Jin sales ", and the marketing model with pharmaceutical representatives as the core was increasingly overstretched. In addition, due to Pfizer's M & A expansion, its products and markets are gradually diversified and complex, which is not conducive to the development of portfolio marketing, which will greatly increase the output of Pfizer's marketing talent resources. Pfizer should depend less on pharmaceutical representatives gradually and enhance the propaganda of terminal pharmacies [10].

### **5.2.3 Upgrading R & D Capacity**

(1) Increase R & D investment and improve R & D efficiency

Data show that Pfizer's R & D investment accounts for less than the industry average, and R & D output is inefficient. Therefore, Pfizer should pay attention to the strategic, planning and feasibility

of R & D investment, formulate a good R & D environment and system, and ensure the rapid value recovery of R & D investment. Data show that Pfizer's investment in R & D is low compared with the industry average. Therefore, Pfizer should increase R & D investment and formulate corresponding R & D strategy.

#### (2) M & A high-tech products promote R & D

The three most important acquisitions in Pfizer's history were Warner Lambert, Farnam, and Wyeth, which brought Pfizer out of its R & D predicament. Pfizer should continue to acquire high-tech products, save R & D costs and time, and achieve complementary advantages.

### 5.2.4 Mergers and Acquisitions of Local Enterprises

Over the past 10 years, Pfizer's mergers and acquisitions have been concentrated in markets outside China. In general, large and well-developed multinational pharmaceutical companies tend to standardize their management. When the development goes deeper, there will be the problem of choosing standardization or localization, or combining the two. With the development of Chinese pharmaceutical industry, domestic pharmaceutical enterprises are gradually strong. Therefore, M & A of excellent local enterprises is a way for multinational pharmaceutical enterprises to further develop the Chinese pharmaceutical market.

### 5.2.5 Deep Development of County-Level Markets

Pfizer's current pharmaceutical market is mainly concentrated in the first and second tier cities, its products in the county market share is low, it is necessary to develop Pfizer's county market. Pfizer can tentatively develop and carry out related marketing activities from some key county-level markets, and can also cooperate with other existing enterprises that occupy more county-level markets to develop and popularize its products and brands through other existing county-level market channels, with complementary advantages, and promote the development of county-level pharmaceutical market.

## 6. Conclusion

Pfizer pays great attention to managing the differentiated development of the company and uses the product differences of other enterprises to innovate, including product innovation, marketing innovation and strategic innovation. Pfizer is also constantly integrating existing resources to develop superior products, through mergers and acquisitions and other forms of development of related advantages of business and expand the scale of business, while exporting global strategies but also taking into account the actual local situation, to achieve successful nationalization. When an enterprise operates, it should first have a deep understanding of the market environment in which it is located. Secondly, it should make a good statement of the mission, vision and values of the company; then, formulate the corresponding strategy and analyze the impact of each step strategy on the company. Finally, adjust the strategy in time according to the changes of the market environment.

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