

CASE STUDY

HEALTH CARE

STRATEGY

CLIENT BACKGROUND

Our client's mother organization is represented by some 350 companies employing 117,500 people with business activities in more than 120 countries. The cornerstone of its business activities are in Europe, North America and Asia.

Our client is a health care company of international repute. Its operations cover the field of animal health, genetically produced medicines, over-the-counter products, diagnostic technologies, and prescription drugs.

The client has manufacturing operations in the country, and uses a variety of sales channels to approach both its secondary and primary users. In the recent years, however, it has become extremely dependent on Distributors to reach its target market. This channel is characterized by frequent price dipping among rival distributors and little barriers to entry for competitors, including generics, to use the same network.

Client Issues

The Company was finding it harder to grow its operating profits. It desperately needed a fresh strategy to rejuvenate its presence in the country. Time was running out as stakeholders in the Headquarters were growing increasingly impatient.

Client Considerations

- The Client wanted quantum improvements that could be measured in the market place.
- The client was keen on hiring someone who could both think, as well as, execute the proposed Strategy

That's why our client approached Abacus, the consulting group known in Asia for executing well-thought out Strategies. This involved a quick turnaround in bottomline improvements.

Our Approach

Step 1 – Understand Market Dynamics

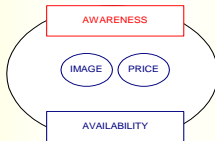
Step 2 – Analyze Inter-ASEAN Synergies

BUSINESS UNIT ANALYSIS: TROPA

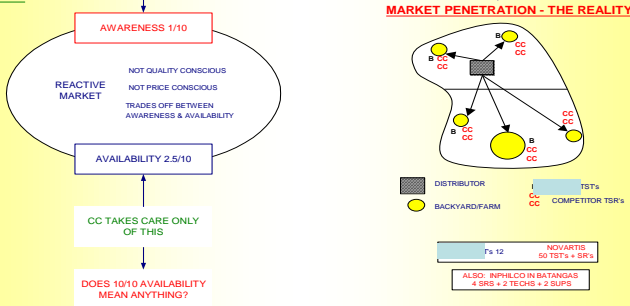
BACKGROUND

TROPA	REST OF THE BUSINESS
MARKET SIZE	80% OF TOTAL PHIL. LIVESTOCK POPN
MARGINS	HIGH
GROWTH POTN	HIGH
	20% OF TOTAL PHIL. LIVESTOCK POPN
	LOW
	FLAT

LOGIC OF THE MARKET



REALITY



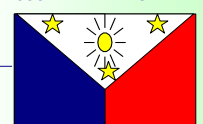
COST ANALYSIS FOR BUNDLING VOLUMES OF 2 COUNTRIES

CONCEPTUAL FRAMEWORK FOR CREATING A WIN-WIN SITUATION

COUNTRY A: THAILAND



COUNTRY B: PHILS.



COUNTRY B BUNDLES ITS REQUIREMENTS WITH THAT OF COUNTRY A FOR COMMON OPERATIONS FROM

NET IMPACT ON COUNTRY A

COUNTRY A GAINS ON VOLUME WITHOUT HAVING TO NEGOTIATE FOR A LOWER PRICE WITH

COUNTRY A STRATEGICALLY BETTER POSITIONED (VIS-A-VIS) TO TAKE ADVANTAGE OF INCREASE IN VOLUMES

POSSIBLE POTENTIAL FOR INCREASING CAPACITY UTILIZATION OF MFG. & LOWER PRODUCTION COSTS

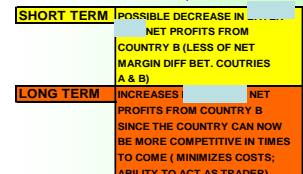
NET IMPACT ON

INCREASES NET PROFITS FROM COUNTRY A

COUNTRY B GAINS ON LOWER TRANSFER COST. REVENUES GO UP WITH POTENTIAL FOR INCREASE IN NET PROFITS

COUNTRY B STRATEGICALLY BETTER POSITIONED TO FACE POSSIBILITIES OF CLOSURE OF PRODUCTION FACILITIES

MORE COMPETITIVE IN THE LONG RUN



- ☐ HELPS CONSOLIDATE PRODUCTION FACILITIES (WITH GAINS ON CAPACITY UTILIZATION)
- ☐ HELPS RE-FOCUS THE BUSINESS EFFORT AROUND A FEW STRATEGIC LOCATIONS

Approach

Strategic Options

Abacus's unique Strategic Execution® approach is a non-jargonized methodology, built to succeed in the real world.

We are amongst the only Consulting groups that implement what we recommend. This unique "thought to action" pragmatic ideology assures guaranteed success.

OPTION A: FOCUS ON DISTRIBUTORS

KEY QUESTION: HOW TO CREATE BARRIERS TO ENTRY

A SUPPORT SMALLER DISTRIBUTORS

1993
21 DISTRIBUTORS

2000
10 DISTRIBUTORS

MARKET CONSOLIDATION (IN VOLUMES) (& OTHER FACTORS) HAVE PUSHED OUT A LOT OF SMALL DISTRIBUTORS

SUPPORT THE ONES BEING PUSHED OUT TO GAIN LIFETIME LOYALTY

B DEVELOP NEW DISTRIBUTORS

REALIGN KPI'S OF SR'S TO THAT GOAL (SINCE IT IS EASIER TO TARGET DIRECT ACCOUNTS WHEN SR'S ARE TOLD TO DEVELOP NEW CUSTOMERS)

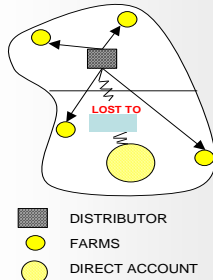
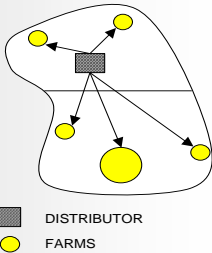
C LOOK INTO SATISFIERS/DISSATISFIERS

PREVENT CANNIBALIZATION BY OTHER BIG DISTRIBUTORS FOR SHORT TERM GAINS

EXAMPLE: FARMPOWER DEVELOPED THE INTEGRATOR MARKET, WHILE SIMONS WAS THE ONE WHO SOLD THEIR PRODUCT

REPERCUSSION- DISTRIBUTOR DOES NOT SPEND ANY MORE TIME IN CREATING AWARENESS

PREVENT CANNIBALIZATION OF DISTRIBUTOR SALES BY DEVELOPING DIRECT ACCOUNTS



OPTIONS : PROS AND CONS

- PROS**
- REDUCES DEPENDENCE ON A SELECT FEW DISTRIBUTORS
 - SOLIDIFIES RELATIONSHIPS WITH THE CHANNEL
 - GREATER MARKET ACCESS TO MARKET & COMPETITOR INFO

- CONS**
- INITIAL INERTIA TO CHANGE
 - NEEDS REALISTIC ASSESSMENT OF THE POTENTIAL FOR DEVELOPING NEW DISTRIBUTORS
 - EXISTING DISTRIBUTORS MIGHT TRY TO WIN THE GRAND PLAN

Results

- Net Sales Growth**
 - vs. Budget : **+6%**
 - vs. Previous Year : **+31%**
- Net Profit Growth**
 - vs. Budget : **+22%**
 - vs. Previous Year : **+37%**
- Operating Results**
 - vs. Budget : **+512%**
 - vs. Previous Year : **+404%**

Annualized Benefits US\$ 7,536,765

Risk Management

Abacus's comprehensive Risk management program ensures objectives are met without any time or cost overruns.

Key components include:

- ✓ Categorizing all risks by degree of Impact, Probability, Time-frames and Triggers
- ✓ Clear-cut Accountability Matrix with definite Action-Plans
- ✓ Contingency Planning
- ✓ Risk Tracking mechanism

OPTION B: DEVELOP OTHER CHANNELS VIZ FEEDMILLS

WHY? → TO REDUCE DEPENDENCY ON THE EXISTING DISTRIBUTOR NETWORK

LOGIC → HELPS REFOCUS ON A PROFITABLE AND SIZEABLE MARKET



PROS AND CONS

- PROS**
- IMPROVES CONSOLIDATED MARGINS
 - READY ACCESS TO LARGE ACCOUNTS
 - INCREASES BARGAINING POWER VIS-A-VIS THE EXISTING DISTRIBUTORS

- CONS**
- POTENTIAL NEEDS TO BE FULLY EXPLORED
 - POTENTIAL COSTS OF CANNIBALIZING EXISTING DISTRIBUTION NETWORK (LIKELIHOOD OF LOSING SOME CUSTOMERS)
 - COULD BE TIME CONSUMING
 - REQUIRES EXTRA EFFORT TO CHANGE FOCUS

OPTION C: SET UP OWN DISTRIBUTION NETWORK

OPTIONS

- SET UP OWN DISTRIBUTION NETWORK FROM SCRATCH
- PARTNER A SMALL DISTRIBUTOR FOR EXCLUSIVE DEALERSHIPS AND THEN ADD TO HIS EXISTING INFRASTRUCTURE BY INVESTING TOWARDS GREATER MARKET PENETRATION

WHY? → TO COUNTER TRADITIONAL DEPENDENCE ON DISTRIBUTORS WHO ARE CURRENTLY OVER EXPLOITING THE COMPANY

LOGIC → DISTRIBUTORS ARE NOT DIRECT CUSTOMERS. HENCE, AS LONG AS MARKET DEMAND EXISTS FOR COMPANY'S PRODUCTS, SALES WILL ALWAYS BE REALIZED



PROS AND CONS

- PROS**
- GREATER CONTROL OVER SALES AND INVENTORY
 - SAVINGS ON MARGINS
 - BETTER MARKET INFORMATION (ALLOWS COMPANY TO GET CLOSER TO THE MARKET)
 - FASTER IMPACT ON MARKET THROUGH PROMOTIONS ETC. (REDUCED TIME TO MARKET)

- CONS**
- HIGH INITIAL COST OF SETTING UP
 - OTHER COSTS (VIZ, WAREHOUSING; COLLECTION ETC.) WILL GO UP
 - CANNOT REACH ALL MARKETS (LIKELIHOOD OF LOSING SOME CUSTOMERS)
 - NEED TO BREAK INTO EXISTING NETWORK, HENCE HIGH COSTS OF CREATING AWARENESS
 - INCREASED HEADACHE OF DAY TO DAY MANAGEMENT
 - UNCERTAIN REPERCUSSIONS OF FACING THE DISTRIBUTOR BACKLASH (WHO IS ALREADY WELL-ESTABLISHED)

Client Comments

"We are now the fastest growing division worldwide... finally our country is on the map... all the credit for this remarkable Transformation goes to Abacus... We would love to recommend Abacus to work with all our other Divisions."

General Manager, ASEAN