Applying Strategic Analysis to Quantify Investor Risk of Pfizer Pharmaceuticals

Brian J. Galli, Long Island University, Brookville, NY, USA

ABSTRACT
This study analyzes Pfizer Pharmaceuticals, one of the leading pharmaceutical companies in the global market. A strategic analysis is presented in order to understand the liquidity, asset utilization, profitability, stability and debt management, and investor ratios of Pfizer. In this study, the strategic analysis is undergone, and each of the contributing factors is further explained. Suggestions about how management can mend and/or maintain the results in each factor of the strategic analysis are offered. The study concludes by suggesting whether or not it is viable for an equity investor to add Pfizer Pharmaceuticals to his/her portfolio of investments. Its contribution to future research is in the form of suggestions for management to take in order to mitigate financial risk and increase profitability.

KEYWORDS
Business Development, Management, Pfizer Pharmaceuticals, Risk Analysis, Strategic Analysis

INTRODUCTION
History of Pfizer Pharmaceuticals
Pfizer Pharmaceuticals contains a vast history, stemming from its year of incorporation in 1849 by entrepreneurs Charles Pfizer and Charles Erhart (Pfizer, 2016). The initial capital of $2,500 was borrowed in 1849 in order to open a Brooklyn-based factory that catered directly to fine-chemicals business needs. The company’s management developed an expansion strategy to widen its product range with mass production. Their primary intention was to enhance the company’s overall efficiency.

In 1951, the firm began expansion into international markets that included Belgium, Brazil, Canada, England, and Panama (Pfizer, 2016). The firm strategically planned its incorporation of international markets. Once it selected and identified a prospective market, it immediately negotiated viable contracts with those governments. These contracts were intended to conduct quality business while maintaining a balance between the firm’s objectives and the market’s standards. The firm employed and trained local employees in the chosen international markets. In so doing, these new markets more readily accepted such a new culture. As a result, the firm could minimize the probability that international conflict would arise in the marketplace. The general acceptance in the new markets precipitated from a decentralized organizational strategy. This strategy introduced the concept of autonomy in a new and foreign culture to the international entities.

Pfizer Pharmaceuticals further invested in extensive research and development to enhance international growth (Pfizer, 2015). Resulting innovations facilitated the firm to attain productive competitive advantages in all marketplaces. For example, in 1998, the firm launched Viagra. This was a new product in the market that immediately garnered a substantial competitive edge for the company. Such an investment, and many others, is one of the primary reasons that Pfizer became one of the most prominent pharmaceutical companies in the world.

In 2001, Pfizer took over Warner-Lambert Company, one of the competing pharmaceutical firms. Following this strategic move, Pfizer was restructured into four groups, those being: Pfizer

DOI: 10.4018/IJRCM.2017070101

Copyright © 2017, IGI Global. Copying or distributing in print or electronic forms without written permission of IGI Global is prohibited.

Annual revenues for Pfizer Pharmaceuticals Group exceeded $1 billion. Among the prescription drugs marketed by this group include Norvasc, Lipitor, Zoloft, Zithromax, DiFlucan, and Viagra. The Warner-Lambert Consumer Group markets various of the leading consumer brands, including “over-the-counter healthcare mainstays,” such as Benadryl, Listerine, Visine, Rolaid, Dentine, and Halls. They even maintain a substantial clout over Schick and Wilkinson Sword shaving products and Tetra fish food. Pfizer Animal Health Group is a world leader in medicines for pets and livestock. Finally, Pfizer Global R&D spends $4.5 billion a year to guide potential products through the product pipeline more efficiently and effectively. Because of these funds, at any given moment, Pfizer can produce more than 130 products (Pfizer, 2014; Pfizer, 2015; and Pfizer, 2016).

As demonstrated by its substantial resume, Pfizer Pharmaceuticals is a very successful company with an industry clout in almost every aspect of the pharmaceuticals marketplace. This results from a rich history of strategic decision-making and management. The management consists of various specialization in finance, marketing, research, and production. Currently, Pfizer implements a flat structure with the intention of stimulating communication and collaboration between the numerous divisions and staff members.

**Pfizer Business Profile and Background**

Pharmaceutical industry organizations are divided into two categories: branded and generic. Pfizer is considered a branded firm. As a result, Pfizer demands more research and development in order to introduce new and competitive products into any marketplace. Corporations such as Pfizer hold the competitive advantage of being “product innovators, leading to patent rights, thus protecting the company from direct competition during the life of the patent” (Pfizer, 2014; Pfizer, 2015; and Pfizer, 2016). Because of extensive research and development, branded firms have the unique ability to produce various types of products. Pfizer is involved in developing and producing three types of drugs: prescription, over the counter, and vaccines. It is founded that most branded firms will engage in developing these types of drugs (Pfizer, 2016).

Branded firms must be thorough in resource management because of the heavy expenditures they will undergo through research and development. It is estimated that the initiation of a major drug costs approximately $400 million. On average, it will take 10 years to be introduced into the market. Furthermore, the pharmaceutical industry is growing in the United States, Europe, and Japan because of the rise in the aging population (Weyzig, 2004). This creates an increased demand for drugs. As a result, branded firms must invest more into research and development to keep up with the ever-increasing demands of consumers. Managing their resources will ensure that a firm can remain afloat in the marketplace. To put it into perspective, in 2003, “the value of this industry in the United States amounted to $127 billion, followed by £76 billion in Europe” (Pfizer, 2014; Pfizer, 2015; and Pfizer, 2016).

Pfizer is considered the largest organization in the Pharmaceutical Industry. In 2003, the company’s market value was $261.6 billion, which surpassed all other global firm’s market values (Weyzig, 2004). This branded firm does not experience difficulties in remaining afloat in the marketplace as the demand for new drugs from an aging population dramatically inflates (Pfizer, 2016).

Pfizer has one direct competitor, Johnson and Johnson. This competitor maintains a market value of $149 billion. Following Johnson and Johnson are some European competitors, all with decreased market values. The third and fourth largest competitors are “Novartis in Switzerland and GlaxoSmithKline in United Kingdom” (Pfizer, 2016). Despite the number of relative competitors, the industrial presence of Pfizer is quite impressive. Pfizer’s advantage over all its competitors stands. This is evidenced by the fact that the material gap between Pfizer and its main competitor, Johnson and Johnson, is an astounding $112.6 billion (Pfizer, 2016).
A Mobile-Based Attribute Aggregation Architecture for User-Centric Identity Management
www.igi-global.com/chapter/a-mobile-based-attribute-aggregation-architecture-for-user-centric-identity-management/78876?camid=4v1a

Argumentation with Wigmore Charts and Computing
www.igi-global.com/chapter/argumentation-wigmore-charts-computing/13449?camid=4v1a