Grace Flandreau

Professor Halík

BUS 320

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Pharmaceutical Sales

The sale of pharmaceuticals is a multi-trillion dollar industry that is needed worldwide. Hospitals and medical centers constantly need different medications in order to treat their patients. This is especially something that is being discussed with differences in public and private medical centers. One drug that is important, especially for surgeries, is Hydrocodone. This drug is an opioid that helps with pain management after intense surgeries. While it is very useful, it also has to be closely monitored due to it being one of the most addictive opioids that currently exists. Keeping track of who is in possession of Hydrocodone and ensuring that it is not something that people are overusing is key to its success. In this sale, Hydrocodone will be sold between Johnson & Johnson and The London Clinic, a private medical facility in London.

There are currently changes happening in the English medical system. While most of Europe operates with universal healthcare, England has been adopting more private systems. Currently, Hydrocodone is not produced as frequently in England as in other countries like the US. Selling this drug to a private facility in England will help them in expanding the services that they can offer and may make them dependent on American pharmaceuticals. In the beginning of this business venture, selling to prestigious private companies will be more beneficial than selling to public companies because private medical centers will be more willing to pay a higher price. Since the public sector has more power, they would be able to force the seller into a worse deal. In order to get a good starting point in the market price, private companies are the place to start. Below is the PESTLE Analysis that focuses on the benefits and issues of selling to an English consumer base.

PESTLE Analysis

Element	Factor	Business Impact
Political	• Growing political focus on healthcare in the UK • Governments looking for saving on healthcare • Increased healthcare across Europe	• Private companies have to fight with public • Increased pressure on pricing • Reference pricing to ensure good deal
Economic	• Inflation levels rising across the world • Buying groups are more worried about pricing • Reduction in individual disposable income	• Customers want to spend less on healthcare • Willing to fight for better deals • Consumers are less likely to pay for healthcare
Sociological	• Patients are more aware about their healthcare • Patient/public activism is increasing • Increasing age of population	• May be wary of certain drug classes • Patients are more aware about what they should be paying and are more likely to stand up to doctors • More money has to be spent on healthcare
Technological	• New medical technologies • Customized treatments for patients • Direct advertising to patient	• May require less pain medication to be needed • Need direct communication to patients • More responsive patients facilities are required

Legal	- Changes to medical laws - Brexit - Changes in advertising laws	- Businesses need to comply with these laws - Changes how things pass between the UK and Europe - Need to focus on proper medical education for the people
Environmental	- Growing pressure for environmental sustainability - Greater community awareness	- May want to invest in environmentally friendly shipping alternatives - Pressure from the community to produce in an environmentally friendly way

These benefits and problems will help the selling company to know how to negotiate and market with the buying company. For example, having new customizable treatments for patients may require more surgeries, which will need pain medications for post-surgery. Knowing this may want the seller to raise their price as they know that their product is becoming more in demand. However, changes like higher access to medical care across Europe may make consumers search for the cheapest option, which may stray them away from private medical facilities. Finding a balance between the issues that are currently affecting a certain country may be difficult for the seller, but researching the cultural changes that are happening in their target country will help them to become more successful in their business strategies.

Another way that the selling company must look at is their own company's success. Issues like increasing competition and better technology across the board causes some pharmaceutical companies to scramble as they cannot keep up. A multi-billion dollar company like Johnson & Johnson is less prone to these risks, but not immune to them. While this company may have a heads up on the competition, they must continue to work to keep their spot as a successful company worldwide. The below SWOT analysis shows the current situation of Johnson & Johnson and how they use that to their advantage.

SWOT Analysis

<table>
<tr>
<td></td>
<td>Strengths
Diverse portfolio
Strong brand recognition
Operates in more than 60 countries
Advanced technology for research and development
Commitment to social responsibility</td>
<td>Weaknesses
Has faced several product recalls
Possibility of litigation risks because of government investigations
Revenue is mostly dependent on few products
Recent competition in pharmaceuticals
Currency risk since they operate in many countries</td>
</tr>
<tr>
<td>Opportunities
Increase in demand for healthcare products with an aging population
Rise of digital health allows for development of new products and services
Can use financial strength to merge with other markets and expand into other markets
Advances in personalized medicine
Can capitalize on</td>
<td>How do I use these strengths to take advantage of these opportunities?
Can use their operations in different countries to research what people are seeking in their healthcare
Can merge with other markets to add to what they currently offer and expand this to more countries
Focus on sustainable business practices will give them more market power</td>
<td>How do I overcome the weaknesses that prevent me taking advantage of these opportunities?
Can use their financial strength to correct the problems of the past
Can focus their branding on the products that make the most money in order to fund goods and services for the future
Collaborate or merge with other pharmaceuticals to decrease competition</td>
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sustainability	• Having many different products and services already will help them to expand even further	
Threats • Increasing competition in recent years • Healthcare is highly regulated • Pricing pressure from governments and insurance companies • Needs to keep up with technological advancements	*How do I use these strengths to reduce the likelihood and impact of these threats?* • Can use their operations in different countries and financial status to get ahead in technological advances • Can use their brand recognition to get a one up on newer competition • Already being ahead in technology makes them a strong competitor	*How do I address the weaknesses that will make these threats a reality?* • Work on branding some of their other products or pharmaceuticals • Comply with product regulations to create trust with the consumer • Expand their technology to stay ahead of new competition

Despite Johnson & Johnson already being a very well established company, they still have to be to keep up with the current market. With the advantage of their brand recognition and multitude of products in different industries, this is something that they have been able to keep up with for a very long time. They can also use their brand power and advanced technology in order to negotiate with other companies both domestically and internationally. Johnson & Johnson's brand name will both attract consumers and executives alike. The power of this company and the need for more post-surgery pain medications in England shows the power that this trade will have.

In this agreement, a shipment of Hydrocodone will be transported from Johnson & Johnson's headquarters in New Brunswick, NJ to The London Clinic. This contract will show agreement of the sale of 10,000 units of bottles of Hydrocodone each for the sale of 126 USD. Each of these bottles will also contain five hundred 5 mg tablets of the medication for use by providing to patients. With 10,000 of these bottles being sold for 126 USD each, the buyer will be willing to pay 1,260,000 USD for the entire shipment. After the purchase has been made, the seller will have six weeks to deliver the shipment to the buyer. The shipment will be made through FOB, according to 2020 incoterms, it will leave through the port of New York and New Jersey and arrive at the Port of London. Since medications are a fairly small unit to ship, only two pallets will be needed and they will each hold 5,000 units each. Due to Johnson & Johnson working to support sustainable business practices, the products will be shipped using recycled plastics. The payment of the sale will be through a letter of credit and the payment should be made by the buyer no later than 30 days after the product's arrival. The Sales Contract for this transaction is below.

In conclusion, the pharmaceutical market is necessary in the world of modern medicine and drugs like opioids and Hydrocodone will continue to be needed for surgeries and other medical procedures. The sale of this medication between countries is something that will help the seller company by increasing the finances they have to continue to grow new technology that can be used in the future of medicine. The buyer company will also receive the benefit of being able to bring new types of medications to their patients that will help them to recover. This trillion dollar industry has existed for decades and will continue to until there is a reason we no longer need medications. The success of the future of companies in the future of the industry will depend on their ability to continue to create more technologies that will help to advance medicine and society.

Sales Contract

Contract-No.: 30027180   Date: 21 June 2023

This Agreement is made between
Johnson & Johnson whose registered office is at
One Johnson & Johnson Place, New Brunswick, NJ 08933 USA
and registration number *0813782*
represented by Joaquin Duato, CEO
hereinafter called '*the seller*' of the one part

and

The London Clinic whose registered office is at
20 Devonshire Pl, London W1G 6BW, United Kingdom
and registration number *307579*
represented by Al Russel, CEO
hereinafter called '*the buyer*' of the other part

Both Parties declare an interest in the sale and purchase of goods under the present Contract and undertake to observe the following Contract:

Subject of the contract

Sale of Goods - Seller agrees to sell, and Buyer agrees to purchase the following items in the following quantities and at the prices (*'the Goods'):*

Product Code	Description of Goods	Unit Quantity	Price Per Unit
071526	**Hydrocodone (5 gram)**	10,000	126 USD

Other details: Hydrocodone (5 gram) / Product Code: 60204
Five hundred 5 mg tablets per bottle
Unit price listed is for the bottle

Price

The price of the goods is to be paid in United States Dollar (USD)
The Seller hereby agrees to sell the Goods to the Consumer for an amount of 1,260,000 USD

Amount: 1,260,000 USD
Amount in Letters: *One million two hundred sixty thousand*

Time of Delivery

After the Buyer (*The London Clinic*) has issues the Purchase Order for the *Hydrocodone (5 gram)*, the Seller (*Johnson & Johnson*) undertakes to supply the *Hydrocodone (5 gram)* to *The London Clinic* within no later than 6 (six) weeks from the issuance of the purchase order.

Terms of Delivery

Delivery of goods shall be done according to Incoterms 2020 rules. The rule and delivery lace agreed between the Parties is: **FOB**

Delivery Address: The London Clinic - Distribution Center
20 Devonshire Pl, London W1G 6BW
United Kingdom

Reporting Goods Movements

The Supplier and Buyer are obligated to issue an intrastate declaration of movement if the yearly dispatch (1,000.00 USD) and arrival (850.00 GBP) are above the exemption threshold for their respective country.

Terms of Payment

Letter of Credit
The Buyer shall establish an irrevocable operating letter of credit in USD for 100% of the value of the contracted quantity with a first-class international bank.

Such a letter of credit shall be valid for negotiations for at least 30 days after the last date of shipment specified in the letter of credit.

The costs of issuing the letter of credit and all bank changes outside the United Kingdom shall be borne by the Buyer.

Sellers are entitled to draw the full amount from the letter of credit immediately after shipment and upon presentation of the shipping documents, without any further approval or the like being required.

Sellers Bank	**Buyers Bank**
Synovus Bank BIC: FICOUS44	Lloyds Banking Group BIC: LOYDGB2L

<u>Transportation</u>

The goods are transported by freight ship.

Units per pallet	5,000
Weight per pallet	40 kg
Number of pallets	2
Total Weight	80 kg

<u>Jurisdiction</u>

This Agreement is governed by and shall be constructed in accordance with the laws of the United States of America

<u>Validity of the Contract</u>

The present contract shall be considered in force from the moment of signing by both parties involved and will be valid for a period of 1 (one) year from the date of signing. The present contract may be extended after the said period providing both parties agreement.

<u>Signature</u>

Joaquin Duato Joaquin Duato (CEO), 21 June 2023	*Al Russel* Al Russel (CEO), 21 June 2023

Works Cited

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https://en.wikipedia.org/wiki/Hydrocodone

https://www.thelondonclinic.co.uk/

https://www.jnj.com/