Session 4: Attracting Investments and Generating Revenue – Theory, Practice and Existing Business Models

Case studies –
How does flu differ from other vaccines and how this affects marketing?
Bio Farma: government and international market

Mahendra Suhardono
- Production Director of Bio Farma, Indonesia
- President of DCVMN

Workshop on Business Modeling for Sustainability Influenza Vaccine Manufacturing
Washington - USA, 14 – 16 January 2013
Vaccines against influenza
WHO position paper – November 2012

Particular risk groups for influenza
- Those at increased risk of exposure to influenza virus
  - includes Health-care workers (HCWs)
- Those at particular risk of developing severe influenza
  - Pregnant women, children aged < 5 years, the elderly, and individuals with underlying health conditions such as HIV/AIDS, ashma, and chronic heart or lung diseases.
- Not yet adopted by most developing countries in national immunization program
Investment decision on Flu vaccine

• Based on national bio-security, not based on commercial/generating revenue
  – Commitment for public health, part of national and global preparedness for pandemic flu

• Price setting for covering COGS – Cost of Goods Sold
  – Affordable price
  – Net Profit Margin (NPM), around 10%
How Does Seasonal Flu Vaccine Differ From Other Vaccine?

• Selection of strains difficult and time consuming
  – Production begins after WHO releases recommendations for virus strains
  – Northern Hemisphere: February; Southern Hemisphere: September

• Annual, seasonal production

• Lack of cross protection against antigenic variants

• Relatively high cost

• Annual vaccine administration is required

• Flu vaccine is not a priority in National Immunization Program
Seasonal ??
Recommended composition of influenza virus vaccines for use in the 2013 southern hemisphere influenza season

20 September 2012

It is recommended that trivalent vaccines for use in the 2013 influenza season (southern hemisphere winter) contain the following:

- an A/California/7/2009 (H1N1)pdm09-like virus *
- an A/Victoria/361/2011 (H3N2)-like virus **
- a B/Wisconsin/1/2010-like virus ***

It is recommended that quadrivalent vaccines containing two influenza B viruses contain the above three viruses and a B/Brisbane/60/2008-like virus ****.
Seasonal flu vaccine....

• Shipment plan
  – Remaining stock → can not be offered in different year

• Short time to market the products
  – Order about a year in advance

• Printing Package
  – Different label, leaflet and box every year

• Hajj Market
  – Lunar Calendar vs Roman Calendar
Impacts on marketing strategy....

(1) Trivalent vs Quadrivalent:

• Production and product availability
• Price
• Marketing strategy
  – Sharpen the competition level
• WHO GISRS: one recommendation!!
  – developing countries rely on WHO GISRS scientific and evidence-based recommendation
Challenge on Hajj market: hajj season is counted in lunar calendar, 10-days shorter than roman calendar → hajj season move forward every year. In 2013, Hajj Season in October 15th
(3) Broaden Market segment

**Flu Vaccine**

- **Government**
  - X Travellers to Saudi Arabia for pilgrimate to Mecca (Hajj)
  - X Program for flu vaccination (as WHO position paper-nov 2012)

- **Private**
  - more marketing efforts, sales forces, reduce NPM
  - Hajj/Umra Agency
  - Hospital
  - State-owned companies
  - CSR, educational public health program
(4) Sustainability vs Cost Structure

• The company wants to charge a price that covers its cost of producing, distributing, and selling the product, including a fair return for its effort and risk

• Cost Structure:
  1. Direct production costs
  2. Indirect production costs
  3. Cost of goods manufactured (1+2)
  4. Operating expenses (GA, sales expenses, capital interest)
  5. Cost of goods sold (3+4)
  6. Profit

• Cross subsidy ??
Recommendations

- WHO to Kingdom of Saudi Arabia-Ministry of Health:
  - Visitors from all over the world arriving for the purpose of Hajj or Umra are required to be vaccinated by seasonal influenza vaccine

- National program on seasonal flu vaccination, as WHO position paper – nov 2012

- WHO GISRS – 1 recommendation on composition of influenza virus vaccines for use

To support seasonal influenza vaccine usage in specific populations at risk,
To increase the preparedness for potentially pandemic flu nationally and globally
Thank you