

Analyzing Genzyme's Strategy of Focusing on Orphan Drugs

Adnan Miski

ABSTRACT: *Genzyme Corporation is a biotechnology company that focuses on rare disorders and inherited diseases. It was established in 1981 by a group of scientists in Boston, Massachusetts. In 2011, Genzyme was acquired by the French company Sanofi for \$20 billion which was perfect for Genzyme because it allowed it to innovate freely without the pressure of large corporations. The company should keep focusing on the orphan drugs market and expand to more countries in the future to dominate the market further. Genzyme current success placed it in a powerful position where it can direct the market according to its needs. Therefore, the company could try to strike exclusive deals with insurance companies to protect its position in the market.*

Keywords: *Orphan Drugs, Genzyme, Biotechnology, Sanofi, Strategic Intent, Genetic-Testing, Innovative Products.*

I. INTRODUCTION

Genzyme Corporation is a biotechnology company that focuses on rare disorders and inherited diseases. It was established in 1981 by a group of scientists in Boston, Massachusetts. In 2011, Genzyme was acquired by the French company Sanofi for \$20 billion which was perfect for Genzyme because it allowed it to innovate freely without the pressure of large corporations. The acquisition by Sanofi opened the door for Genzyme to reach sixty-five countries and distribute its products to ninety countries by taking advantage of the seventeen manufacturing facilities and nine genetic-testing laboratories. In 2005, Genzyme was awarded the National Medal of Technology, the highest level of honor awarded by the president of the United States to America's leading innovators (Schilling, 2008). In 2006 and 2007 Genzyme was named one of Fortune Magazine's "100 Best Companies to Work for". In 2010, Genzyme became the third largest biotech company with more than 11,000 employees around the world. In 2006, Genzyme donated \$11 million in cash and \$83 million worth of products globally. The company is known for biotech breakthroughs and commitment to sustainable business practices as shown on its headquarter which was one of the first buildings in the United States to earn a LEED Platinum. Genzyme implements management systems that optimizes performance in energy, water and air emission. In 2016, Genzyme remains successful in an industry where big pharma acquires small companies to take them off the market. Last year, Sanofi's revenue grew by 30% and that's mainly due to the increase of demand for Aubagio (Genzyme's largest product by sales) by 78% to become 'the fastest growing oral Multiple Sclerosis drug in the US.

II. CURRENT EFFECT OF COMPETITION AND CUSTOMERS

By focusing on a niche market such as Orphan Drugs, Genzyme has less competitors to worry about as large corporations within the industry are only interested in large markets. Furthermore, the FDA regulations is another reason for large pharmaceutical and biotech companies resistance to enter the market as the Orphan Drug Act grants companies an exclusive seven years patent. On the other hand, competition is often great for consumers because company's will keep improving to overthrow their competitors and dominate the market. Therefore, the customers bargaining power is minimal in this case since they won't have a lot of options for their urgent drug needs.

III. FOCUSING ON ORPHAN DRUGS AFFECT THE TYPES OF RESOURCES AND CAPABILITIES OF A BIOTECH FIRM NEEDS TO BE SUCCESSFUL

Since the company is focusing on a niche market, it won't require a large budget for marketing as it can target medical specialties who treats their target market/patients. Moreover, due to the low number of customers/patients and high sale price of drugs, the company can allocate more resources to research and development in order to develop more innovative products.

IV. ORPHAN DRUGS AND LONG TERM STRATEGIC INTENT THE TABLE BELOW SHOWS THE STANDARD PRACTICE SHEET FOR THE NEW METHOD

The focus on orphan drugs makes sense for a couple of reasons. First, the company have been profitable since it started in 1981. Second, the Orphan Drugs Act created a high barrier of entry which made it difficult for competitors to enter and compete with Genzyme. On the contrary, future potential threats such as new drug act to counter the Orphan Drugs Act could result in huge losses for the company. Therefore, becoming a subsidiary of Sanofi was a strategic move by Genzyme as they will have the flexibility of small companies and capabilities of large ones. Furthermore, Having more products is a strategic move by Genzyme, because they're focusing on a niche market which means they have a small number of customers compared to other corporations in the industry, therefore, diversifying could protect the company from future threats such as a competitor entry to the market. Furthermore, more successful products mean more revenue to the company which could also help the corporation avoid future threats. Nonetheless, the diversifying strategy could harm Genzyme if it affected the innovate research and development process due to the increasing number of new products.

V. CONCLUSION

The company should keep focusing on the orphan drugs market and expand to more countries in the future to dominate the market further. Genzyme current success placed it in a powerful position where it can direct the market according to its needs. Therefore, the company could try to strike exclusive deals with insurance companies to protect its position in the market. Furthermore, the company could invest heavily in research and development to create a more difficult barrier of entry to competitors in the future.

REFERENCES

- [1]. Schilling, M. A. (2008). Strategic management of technological innovation. Boston: McGraw-Hill/Irwin.
- [2]. <http://labiotech.eu/why-is-genzyme-still-crazy-successful-5-years-after-sanofis-acquisition/>
- [3]. Management of technology: The hidden competitive advantage. (1987). Washington, D.C.: National Academy Press.
- [4]. Zedtwitz, M. V. (2003). Management of technology: Growth through business innovation and entrepreneurship: Selected papers from the Tenth International Conference on Management of Technology. Amsterdam: Pergamon.