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Midterm – Part 2 – Sample Queries and Executive Summary Report

**Grab**

At Pharma4All we pride ourselves on making the cheapest possible drugs first and foremost. We currently outsource our manufacturing to the lowest possible bidder, ensuring the patient pays the lowest out-of-pocket cost. We avoid auditing any suppliers or staffing extraneous employees, like a Quality Assurance department, as these could eat into the customer’s potential savings. Keeping money in the pocket of the patient is our mission, and we are willing to make any sacrifice to make that happen.

**Problems and Solutions**

The cost of prescription drugs continues to rise, as a result of stricter government regulations and higher manufacturing costs. As a company in the drug manufacturing business, Pharma4All can only control one of these two variables. Regulations will only continue to strengthen as more drugs hit the market, so we look to offset that by lowering the manufacturing costs wherever and whenever possible. With that in mind, Pharma4All is looking to expand its in-house manufacturing into a new, and cheap, territory.

**Company Description**

Pharma4All is a contract manufacturing organization. We primarily enter into contracts with other companies who are looking to get their products manufactured at a reasonable price. If it is cheaper to outsource that manufacturing to a third-party, we will pursue that route. Established in 2017 as a direct result of the incredible price hike of the Epipen, Pharma4All vows to never price another patient out of a necessary treatment.

**Mission Statement**

Sacrificing it all to ensure no patient is priced out of a life-saving, life-improving – or really any type of improvement – drug.

**Business Expansion**

Rationale

Regulations within the United States continue to tighten, which directly impacts the cost of manufacturing drugs. Pharma4All has no control over these regulations, and any interference with the agencies will only result in higher costs, as additional staffing and resources would need to be directed to the cause. We hope to combat the continual rise in price by finding a new, cheap, location to build a new manufacturing plant.

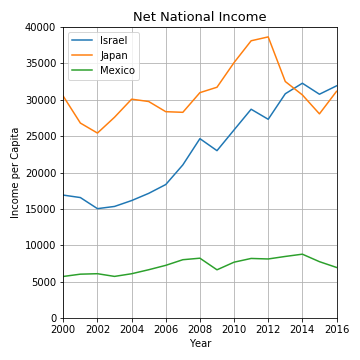
Criteria for Expansion

As we looked at various locations for the business expansion, four main criteria were considered:

1. Net national income per capita
2. Infant mortality rates per 1000 live births
3. Successful terrorist acts per year (success as defined by Global Terrorist Database)
4. Educational expenditure as a percent of gross domestic product

Many countries were considered, with three countries ultimately reaching the final list: Israel, Japan and Mexico.

**Net National Income**

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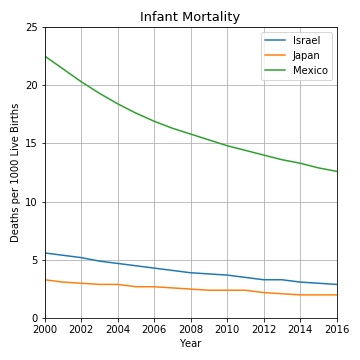
*Figure 1. Net national income per capita.*

Net national income per capita was considered for the obvious reason of paying competitive salaries at the plant. Note that competitive in this case is considered from the perspective of Pharma4All, meaning the lowest possible salaries in the name of cost cutting.

As can be seen in Figure 1, income has steadily increased in Israel since the year 2000. Japanese income has fluctuated quite a bit, rising from 2002 to 2012, before taking a sharp downturn, and actually falling below Israeli income in recent years. Finally, Mexican income has remained largely stagnant, at a rate far below the other two countries.

Based on this data from the turn of the century, one can expect Israeli and Japanese per capita income to continue to rise at a rate that far outpaces Mexican per capita income. For this reason, Mexico would be an ideal location to minimize worker salary, which would promote lower cost manufacturing.

**Infant Mortality Rates**

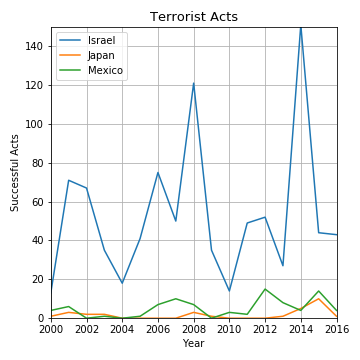
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*Figure 2. Infant deaths per 1000 live births.*

The correlation between infant deaths and expanding manufacturing may not be as obvious as income but is still relevant in our analysis. Infant mortality is directly related to access to medicine and overall development of the medical field in the region. Higher rates of death are associated with limited access to medicine and a medical field that is not as well developed as other locations. In the case of Pharma4All, the company image could greatly be improved by providing low-cost medications to areas in desperate need of medical advancement.

Once again, Mexico looks to be an ideal location to for Pharma4All to expand into, with the intention of providing cheap medication to patients in need. While infant mortality has drastically improved, with almost a 50% increase between 2000 (22.5 child deaths per 1000 live births) and 2016 (12.6 child deaths per 1000), it is still more than 4 times higher than Israel (2.9 child deaths per 1000) and more than 6 times higher than Japan (2 child deaths per 1000). In all locations, the infant mortality rate continues to improve as medical advances are made, and Pharma4All would greatly support this trend.

**Terrorism**

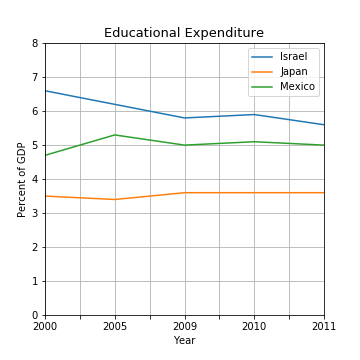


*Figure 3. Successful terrorist acts per year.*

When considering business expansion into a new region, especially a business based on the model of underselling competitors, which can understandably upset some, it is necessary to understand the political situation within a region. One metric that can be measured is the number of successful terrorist attacks within a country, as defined in the Global Terrorism Database Codebook. We look specifically at successful attacks, because an unsuccessful attack was thwarted in some way, which could suggest a government which has control over the region – similar to a police officer catching a criminal as they are about to commit a crime.

Figure 3 shows Israel as a region which has very limited control over terrorist attacks within its borders, whereas Japan and Mexico both remain relatively constant with minimal attacks per year. For anyone paying attention to the news in the last 50-plus years, this comes as no shock, but the data also shows us there has been no improvement in the past 20 years. Both Mexico and Japan show minor upticks since 2011/2012, so it will be important to watch what happens over the next several years. For the sake of immediate decision making, Japan appears to be slightly more stable than Mexico – a sharp increase in 2015 appears to have mostly receded since.

**Educational Expenditure**



*Figure 4. Educational expenditure per year as a percent of gross domestic product.*

How much a country invests in its education system is a direct measure of how much it is investing in its future. It may benefit Pharma4All to expand into a country which invests in its youth and future, while at the same time seeking out cheap labor. As education rises within a region, the workforce also tends to move towards more intellectual jobs, while cheap labor moves to other, less educated, regions. While this may be an over-simplification, Pharma4All must make decisions based on the data available.

When looking at Figure 4, it is important to note that the most recent available data is from 2011, whereas the other categories capture data as recently as 2016. However, some trends still become obvious when looking at the plot. For instance, Israel has pulled back its educational spending by a full percentage point (6.6% to 5.6% of GDP). On the other hand, Japan has remained nearly perfectly constant, only fluctuating between 3.4% and 3.6% of GDP. Similarly, while Mexico bounced around in the early 2000’s, it has largely hovered around 5% most recently.