

Panalba Prediction Case

The case described on the next page refers to a situation faced by the Upjohn Corporation in the United States. Please read this case and then answer the four questions below.

Decision	Circle your answer				
1. What decision would you make? (Please circle the letter which best represents your prediction.)					
• in the U.S. market?	a	b	c	d	e
• in foreign markets?	a	b	c	d	e
2. What decision would you make if you were a member of the Board of Directors for Upjohn? (Please circle the letter which best represents your prediction.)					
• in the U.S. market?	a	b	c	d	e
• in foreign markets?	a	b	c	d	e
3. What decision best represents the actual decision taken by the Upjohn company? (Please circle the letter which best represents your prediction.)					
• in the U.S. market?	a	b	c	d	e
• in foreign markets?	a	b	c	d	e
4. Do you know what happened in this case? That is, had you heard of this case previously?					
	Yes	No			

Thank you!

Date: _____ Place: _____

THE PANALBA CASE

Assume that it is August, 1969, and that Upjohn Corporation has called a Special Board Meeting to discuss what should be done with the product known as "Panalba."

Panalba is a "fixed-ratio" antibiotic sold by prescription. That is, it contains a combination of drugs. It has been on the market for over 13 years and has been highly successful. It now accounts for about \$18 million per year, which is 12% of Upjohn Company's gross income in the U.S. (and a greater percentage of net profits). Profits from foreign markets, where Panalba is marketed under a different name, are roughly comparable to those in the U.S.

Over the past 20 years there have been numerous medical scientists, e.g., the AMA's Council on Drugs) objecting to the sale of most fixed-ratio drugs. The argument has been that (1) there is no evidence that these fixed-ratio drugs have improved benefits over single drugs, and (2) the possibility of detrimental side effects, including death, is at least doubled. For example, these scientists have estimated that Panalba is causing about 14 to 22 unnecessary deaths per year, i.e., deaths which could have been prevented if the patients had used a substitute made by a competitor of Upjohn. Despite these recommendations to remove fixed-ratio drugs from the market, doctors have continued to use them. They offer a shotgun approach for the doctor who is unsure of his diagnosis.

Recently, a National Academy of Science - National Research Council panel, a group of impartial scientists, carried out extensive research studies and recommended unanimously that the Food and Drug Administration (FDA) ban the sale of Panalba. One of the members of the panel, Dr. Eichewald of the University of Texas, was quoted by the press as saying, "There are few instances in medication when so many experts have agreed unanimously and without reservation (about banning Panalba)." This view was typical of comments which had been made about fixed-ratio drugs over the past 20 years. These impartial experts then believe that, while all drugs have some possibility of side effects, the costs associated with Panalba far exceed the possible benefits.

The Special Board Meeting has arisen out of an emergency situation. The FDA has told Upjohn that it plans to ban Panalba in the U.S. and wants to give Upjohn time for a final appeal. Should the ban become effective, Upjohn would have to stop all sales of Panalba and attempt to remove inventories from the market. Upjohn has no close substitute to Panalba, so consumers will be switched to close substitutes which are easily available from other firms. Some of these substitutes offer benefits which are equivalent to those from Panalba, and yet they have no serious side effects. The selling price of the substitutes is approximately the same as the price for Panalba.

It is extremely unlikely that bad publicity from this case would have any significant effect upon the long-term profits of other products made by Upjohn.

The following possible solutions were considered by the Board:

- a. Recall Panalba immediately and destroy.
- b. Stop production of Panalba immediately but allow what's been made to be sold.
- c. Stop all advertising and promotion of Panalba but provide it for those doctors who request it.
- d. Continue efforts to most effectively market Panalba until sale is actually banned.
- e. Continue efforts to most effectively market Panalba and take legal, political, and other necessary actions to prevent the authorities from banning Panalba.