

1985 FAR EAST REGION 
PRELIMINARY MARKETING PLAN

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Rationale of the 1985 Far East Budget

The 1985 Budget was compiled with these considerations in mind:

1. We expect there will be a shortage of Cutter fraction V products during 1985 and domestic prices will continue to rise.
2. Cutter has excess ISG available and we need to sell it, even if it appears on paper that profits on those sales are low.
3. We expect Cutter will have excess Koate in 1985 and we will need to sell as much of it as possible, even at marginal prices, to share costs of producing PPF and albumin.
4. It will be difficult to raise prices in 1985 due to lower-priced competition from European fractionators.
5. Asia's emerging markets for HBIG constitute a major opportunity for Cutter in 1985.

6. We must continue to support Cutter's Far East distributors to assure our strong network will be intact when our competitive position improves.

7. Our strategy in the Far East continues to be to keep expenses low, allowing Cutter to be price competitive. By temporarily avoiding overhead from additional personnel, regional sales offices, expensive medical seminars and large scale advertising, we will be able to maintain enough sales volume to assure continuity of our dominant position in the market. When prices and profits improve, we will consider more aggressive marketing expenditures.

No. 620-20 Konyne 500 i/u Sales History and Budget

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984E</u>	<u>1985B</u>
\$ Sales	30,000	40,000	58,000	78,874	76,000	90,000
Units	655	769	1,100	1,500	1,800	2,000
ASP	46.57	52.13	52.19	52.55	42.50	45.00

No. 650-20 Koate 250 i/u Sales History and Budget

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984E</u>	<u>1985B</u>
\$ Sales	193,000	293,000	315,017	289,000	373,000	447,000
Units	7,100	12,500	13,800	11,600	16,000	19,000
ASP	27.25	23.42	22.83	24.97	23.30	23.50

Koate Sales to New Zealand over the period 1980-84 have completely diminished, thus taking some luster from the above growth figures:

New Zealand Koate Sales

<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984E</u>	<u>1985B</u>
\$74,000	\$62,000	\$25,000	\$8,000	0	0

In New Zealand, Cutter products were largely displaced by new concentrates made in Auckland and products supplied on a reciprocal agreement with Commonwealth Serum Laboratories. What Koate business Cutter had left in New Zealand as of 1982 was terminated when AIDS became an issue there.

AIDS has not become a major issue in Asia. Perhaps it is because the region has so many other health hazards

of greater, more common concern. The hepatitis risk of American-made concentrates is not of such great concern in a region where hepatitis B is so prevalent. In Taiwan, for instance, where 16% of the population are carriers of Hepatitis B, a hemophiliac is apt to suffer as much risk routinely using cryoprecipitate or blood as with American-made concentrates. With these considerations in mind, we have no immediate plans to introduce Koate-HT or Konyne-HT.

If we see need for a heat-treated product in the Far East, we will react to the demand swiftly. Otherwise, we will try to continue to dominate the markets with low-cost standard Koate and Konyne.

In each Far East country, Cutter gives constant attention to maintaining close ties with leading hematologists who are national leaders in hemophilia care. Each year, our list of such contacts is expanded and updated. Because English language is common amongst Asian medical specialists, most domestic sales aids developed by Cutter for the American market can be used in the Far East. Slide programs, exercise programs, Echo magazines, pamphlets, brochures, etc. from Cutter Biological will continue to be used as important tools in the development of sales.

In India, we expect Miles India will soon take up sales of Koate and Konyne. We have maintained contact with individual hemophiliacs and doctors in that market for five years in hopes of developing a business base for a future Indian distributor. A mailing list composed of all previous Indian buyers of Koate and Konyne will be used when we announce Miles-India's inauguration of in-country sales.

During 1983/84, we introduced Koate into the Philippines. The market is now showing signs of growth after a slow start. There is no other concentrate on the market.

Markets such as Indonesia and Thailand have been slow in the acceptance of Koate and Konyne. Competition has not been the problem. We simply need to develop the markets.

Due to the difference between actual FMC and budgeted FMC on Koate in 1984, Far East gross profits on the product are expected to only be 3% of sales, a considerable difference from the 29% gross profit which would have been achieved at budgeted FMC.

NARRATIVE

FAR EAST REGION

1985 BUDGET

Cutter

1985 ASSUMPTIONS

I & E EFFECT

1. 1985 plasma product FMC's will be as budgeted.
2. Cutter and Luen Cheong Hong Ltd. will win the PPF portion of the 1984/85 Hong Kong GSD fraction V tender.
3. Cutter will have a shortage of fraction V products during 1985.
4. Cutter will have excess supply of Koate, Konyne and ISG during 1985.
5. AIDS will not become a major issue amongst Asian hematologists during 1985.

1984 variances between budgeted and actual FMC amounted to a \$339,000 reduction in division margin for the profit center. It is conceivable that cost variances in 1985 could cause a maximum \$500,000 reduction in division margin.

We estimate 16% of the estimated 37,500 vials of Plasmanate will be delivered in the fourth quarter of 1984. The remaining 31,500 vials will be delivered in 1985 contributing \$938,000 in sales and \$223,000 in gross profits.

This will drive our prices up and our unit sales down. In Taiwan, we will not win a \$1,200,000 albumin tender. In other markets, we will lose an estimated \$350,000 in potential sales. If we run short of 100 ml albumin for Korea, we will lose another \$300,000 in sales.

If these products are not available in excess quantities during 1985, we might have to increase prices and decrease sales. Sales could be reduced by as much as \$410,000 and profits could be reduced \$95,000.

Hysteria over AIDS could reduce our Koate and Konyne sales by as much as \$400,000 and our gross profits by as much as \$110,000.

NARRATIVE

FAR EAST REGION

1985 BUDGET

Cutter

1985 OBJECTIVES

ACTION PLANS

2. Retain dominant share of Far East markets for factor VIII and IX concentrates in the Far East with 1985 sales of \$392,000 for Koate and \$28,000 for Konyne.

3. Obtain further sales of HyperHep to Asian governments for use in prevention of hepatitis B in neonates. Attain 1985 HyperHep sales exceeding \$240,000.

- G. Mull will visit major Far East markets during 1985.
- Miles India will begin selling coagulation products.
- Maintain contacts with Asian leaders in hemophilia care.
- Introduce Koate and Konyne HT if necessary to defend against fear of AIDS.
- Win major tenders in Hong Kong, Taiwan, Singapore and Malaysia.
- Introduce Koate and Konyne into the Philippines and Thailand.
- Work closely with Taiwanese health officials in charge of the hepatitis b prevention program.
- Try to introduce a .5 ml size HyperHep to assure we can compete with Biotest.
- Circulate copies of all current medical literature on prevention of perinatal transmission of hepatitis B to distributors. Emphasize HyperHep in product training.
- Avoid dropping below \$18.50 on 1 ml and \$75 on 5 ml HyperHep in prices to distributors for major tenders. Maintain higher prices for private market sales to assure more than 40% gross profit on HyperHep.