

VAŽNOST UPRAVLJANJA MARKETINGOM U GLOBALNOJ FARMACEUTSKOJ INDUSTRIJI

IMPORTANCE OF MARKETING MANAGEMENT IN THE WORLD PHARMACEUTICAL INDUSTRY

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Review

Doc. dr. sc. Dragan Kesić

Fakulteta za management Koper, Univerza na Primorskem
Cankarjeva 5, p.p. 345, 6104 Koper, SLOVENIJA
Tel.: ++386 5 610 2044
Fax: ++386 5 610 2015
E-mail: dragan.kesic@fm-kp.si

Doc. dr. sc. Andrej Bertonec

Fakulteta za management Koper, Univerza na Primorskem
Cankarjeva 5, p.p. 345, 6104 Koper, SLOVENIJA
Tel.: ++386 5 610 2043
Fax: ++386 5 610 2015
E-mail: andrej.bertonec@fm-kp.si

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SAŽETAK

Svjetska farmaceutska industrija u posljednjem je desetljeću doživjela goleme promjene. Globalizacijski procesi potiču na konsolidaciju unutar ove industrije. Sve je više svjetskih farmaceutskih poduzeća koja se u svojoj strateškoj orijentaciji odlučuju za postupke spajanja i preuzimanja. Svojim istraživanjem otkrili smo da upravljanje marketingom igra sve važniju, čak i ključnu ulogu i u svakodnevnom i u strateškom poslovanju globalnih farmaceutskih poduzeća. Mogli bismo istaknuti da je ubrzana konsolidacija unutar svjetske farmaceutske industrije zasigurno proces koji potiče samo tržište, a uvjetuju ga pitanja koja su tipična za strateško upravljanje marketingom kao što su nedostatak novih proizvoda, jaka konkurencija, globalizacijski procesi, povećane aktivnosti na području globalnog marketinga i prodaje, promjenjiva struktura globalnih konkurenata i bespoštedna borba za udjele na globalnom tržištu i za vjernost kupaca. Procjenjujemo da

ABSTRACT

The world pharmaceutical industry has changed tremendously in the last decade. Globalization processes reinforce a consolidation of the world pharmaceutical industry. Mergers and acquisitions prevail more and more as a strategic orientation of numerous world pharmaceutical companies. In our research we found out that marketing management has been playing an increasingly important or even a crucial role in day-to-day activities and strategic business operations of the world pharmaceutical companies. We may point out that a rapid consolidation of the world pharmaceutical industry is definitely a market-driven process, one conditioned by typical strategic marketing management issues, such as a lack of brand new products, intense competitiveness, globalization processes, increased global marketing and sales activities, changing structure of global competitors as well as a furious fight for global market shares and customers' loyalty. We esti-

će u budućim procesima globalizacije i koncentracije unutar svjetske farmaceutske industrije upravljanje marketingom imati još i važniju ulogu te postati najviši strateški prioritet. Neka iskustva i pouke iz globalne perspektive svjetske farmaceutske industrije mogli bi koristiti i menadžmentu farmaceutskih poduzeća u tranzicijskim zemljama Srednje i Istočne Europe. Imajući u vidu trenutni tržišni položaj tih poduzeća, mogu se predložiti stanovite smjernice za upravljanje marketingom u okviru njihovih politika i strategija upravljanja marketingom. Zaključujemo da najveća prijetnja budućoj strateškoj orijentaciji i uspjehu globalne farmaceutske industrije leži upravo u podcjenjivanju i potpunom zanemarivanju važnosti pitanja upravljanja marketingom.

mate that marketing management is to play an even more important and, especially, the top priority strategic role in the future globalization and concentration processes of the world pharmaceutical industry. Some experiences and lessons from the global perspective of the world pharmaceutical industry could also be useful to the management of pharmaceutical companies in the transition countries of the Central and Eastern European region. Taking into consideration the current market position of these companies, some marketing management guidelines for their marketing management policies and strategies could be suggested. We conclude that underestimating, or even complete neglect of the importance of marketing management issues may pose the greatest threat to the future strategic orientation and performance of the world pharmaceutical industry.

1. INTRODUCTION

We can define the main characteristics of the world pharmaceutical industry as follows:

- increased globalization,
- changing structure of competition and increased competitiveness,
- lack of brand new products, despite increased investments into Research & Development (R&D) activities,
- increased importance of regulatory issues (registration, intellectual property rights, litigation),
- fast consolidation and concentration of the world pharmaceutical industry,
- increased importance of *marketing management*,
- development of new therapeutic fields and technologies (biotechnology, pharmacogenomics),
- rapid development of global generic markets.

The world pharmaceutical market has undergone tremendous and complex changes in the last few years. We may say that the pharmaceutical industry has been adapting itself increasingly to market trends and market demands. Further strategic development of the world pharmaceutical industry shows relatively clearly its considerable consolidation and concentration, as well as a strong market orientation. A rapid development of basic sciences and of the modern technological knowledge on the one hand, and qualitative management of the world pharmaceutical market on the other hand have a major impact on day-to-day activities but even more so on the strategic business operations of pharmaceutical companies, which compete fiercely for shares of the world pharmaceutical market. The development of a brand new drug (NAS–New Active Substance) is estimated to require over \$ 1.2 billion in investment and takes over 12 years to introduce it in the market as a finished, legally registered and approved product.¹

This is both a very complex and at the same time a highly risky job with no ultimate guarantee that the potential new product might succeed in the market or bring revenues back. If a pharmaceutical company

wants to achieve market success with a brand new product, it needs to invest heavily into marketing and sales activities. We may conclude that it is no surprise that basic R&D activities, together with marketing and sales activities, are the most important strategic activities of the world pharmaceutical industry. They are definitely what the major part of investments of the pharmaceutical industry is channeled into. Having analyzed investment figures, we have found that the largest, most inventive world pharmaceutical companies invest on average around 16% of their sales into R&D and an even larger share, around 25% or more, into marketing and sales activities. However, these ratios, especially the one for R&D investment, may be even higher for specialists, such as biotechnology companies and much lower for generic pharmaceutical companies.²

As mentioned, pharmaceutical companies differ according to their basic performance and strategic development, in turn determining the structure of the world pharmaceutical industry.

We may define three different groups of pharmaceutical companies:

- pharmaceutical companies which primarily work on the basic research and development, and marketing and sales of brand new inventive original pharmaceutical products (called originators),
- pharmaceutical companies which primarily work on the development and sales of generic products (called generic or copycat producers),
- pharmaceutical companies which primarily work on the basic research and development of biotechnology and pharmacogenomic products, and on the technologies of new delivery systems (called specialists).

2. RESEARCH OBJECTIVES

Our hypothesis is that marketing management is playing an increasingly important role in the performance of the world pharmaceutical companies. In our research we aim at trying to find out how important

marketing and marketing management practices are, and in what way they correlate directly with the business performance of the world pharmaceutical companies. We would like to evaluate the importance of marketing management in the strategic orientation of pharmaceutical companies and the way in which it influences a strong consolidation process of the world pharmaceutical industry.

3. WORLD PHARMACEUTICAL MARKET

In 2006, the world pharmaceutical market recorded total sales of \$ 643 billion and a growth rate of 7%. The fastest-growing world markets and regions are the markets of China, Central East European region (Russia, Poland, Romania) and certain markets of Latin America (Brazil, Mexico, Chile). Nevertheless, the world pharmaceutical market is estimated to grow at an average 7% CAGR (Compounded Annual Growth Rate) till 2013.³

It is estimated that, due to several factors – the expiration of patent protection of some of the best-selling pharmaceutical products in the most developed world markets (major impact is in the United States), the worldwide healthcare cost reduction and restructuring as well as the ageing of population and price pressures – the world generic markets tend to grow even faster, at an average 12% CAGR till 2013.⁴

Table 1: World pharmaceutical market from 2002 to 2006

Year	Value in billion \$	Growth in %
2002	422	9.0
2003	490	16.1
2004	547	11.6
2005	602	10.0
2006	643	7.1

Source: World Review 2007

The world's leading pharmaceutical markets in terms of sales and the per capita consumption of medicines are the United States, Japan and Germany. The U.S. share exceeded 40% of the global pharmaceutical market in 2006. This reflects the fact that the leading world pharmaceutical market has some specific factors which distinguish it from other world markets, such as: generally free pricing policy of medicines, which is not a common issue with other markets (they usually have regulated reference pricing systems, especially in the European Union), high consumption of medicines, intensive marketing activities, sometimes described as "turbo marketing", as well as tough competition.

Table 2: Leading world pharmaceutical markets in the year 2006

Position	Markets	Value in billion \$	Per capita consumption in \$
1.	USA	272	900
2.	Japan	68	530
3.	Germany	30	365
4.	France	26	400
5.	United Kingdom	18	295
6.	Italy	16	275
7.	Canada	14	425
8.	Spain	12	300
9.	Brazil	10	53
10.	Mexico	9	83

Source: own estimation, according to IMS Health

The products themselves are by no means the main generators of growth of the world pharmaceutical industry. Pharmaceutical companies compete on product characteristics and tend to invest heavily into marketing activities in an endeavor to gain prescribers/patient loyalty. Moreover, they compete directly with other pharmaceutical companies to conquer world market shares.

Table 3: Leading world pharmaceutical products in the year 2006

Position	Product/indication/company	Sales in billion \$
1.	Lipitor (atorvastatin), hyperlipidaemia/Pfizer	13.6
2.	Nexium (esomeprazol), antiulcerant/AstraZeneca	6.7
3.	Seretide/Advair (fluticazon+salmeterol), asthma/GSK	6.3
4.	Plavix (clopidogrel), prevention of cardiovascular disorders (strokes) /sanofi-aventis and BMS	5.8
5.	Aranesp (darbepoetin alpha), modified epoetin/Amgen	5

Source: own estimation, according to IMS Health

For the purpose of better understanding, we define a generic product as a bioequivalent product with the same active ingredient as an inventive, original one and which is also subject to a standard registration procedure as the original one; nevertheless, it is only legally allowed to be launched upon the final expiration of all pending intellectual property rights (patent expiry). According to this and taking into account the fact that generic producers do not need to invest huge sums of money into basic R&D activities, they compete merely, to put it plainly, on the lower prices of their products. The most developed and the biggest world generic market in terms of sales is the generic market of the U.S. itself, which reached close to \$ 42 billion in sales in 2006 and recorded a growth rate of 13%. This exceeded the growth rate of the U.S.

pharmaceutical market as a whole, which expanded by 5% that same year.⁵

The ten leading world pharmaceutical companies currently command just over a 42% share of the global pharmaceutical market. For a comparison reference, this figure was only 30% ten years ago.⁶ This is a clear sign and proof of how rapidly market consolidation and concentration of the world pharmaceutical industry has changed the world pharmaceutical market in the last several years. The world pharmaceutical industry has undergone deep changes in the last decade. Most notably, strong processes of consolidation and concentration have impacted practically all the three defined sectors as numerous mergers and acquisitions have occurred, resulting in completely new alliances.

Table 4: Leading world pharmaceutical companies in the year 2006*

Position	Company	Country of origin	Sales in billion \$	World market share in %
1.	Pfizer	U.S.	45.1	7.0
2.	GlaxoSmithKline	United Kingdom	37.1	5.8
3.	sanofi-aventis	France	36.9	5.7
4.	Roche	Switzerland	27.3	4.2
5.	AstraZeneca	United Kingdom	26.5	4.1
6.	Novartis	Switzerland	23.5	3.7
7.	Johnson&Johnson	U.S.	23.3	3.6
8.	Merck&Co	U.S.	22.6	3.5
9.	Wyeth	U.S.	16.8	2.6
10.	Eli Lilly	U.S.	15.7	2.4

* according to consolidated sales of pharmaceuticals and vaccines

Source: own estimation according to official company data

Table 5: Leading world generic companies in the year 2006

Position	Company, country of origin	Sales in billion \$
1.	Teva, Israel	8.4
2.	Sandoz, Germany	5.9
3.	Barr Pharmaceuticals, USA	2.5
4.	Merck Generics, Germany	2.4
5.	Ratiopharm, Germany	2.1
6.	Watson, USA	1.9
7.	Actavis, Iceland	1.8
8.	Stada, Germany	1.6
9.	Mylan, USA	1.5
10.	Ranbaxy, India	1.3

Source: own estimation, according to official company data

It can be argued that competitiveness has increased tremendously and very quickly so there is an urgent need for pharmaceutical companies to behave in a good, sharp and speedy manner, as global customers have had more and more options to choose from and it is getting more and more difficult to count on their everlasting loyalty.

We have analyzed and scrutinized an entire business chain in the pharmaceutical performance and found that, for a proper understanding and valuation, one needs to monitor the "Whole 11-P chain (product, patent, price, place, promotion, payers, providers, physicians, pharmacists, pharmaceutical industry, patients)"⁷ in order to get a relevant picture of the whole process, departing from a rough idea - what is to be a future medicine - till giving the final user (patient) proper ailment relief.

Figure 1: 11-P chain

product ⇄ patent ⇄ price ⇄ place ⇄ promotion ⇄ payers ⇄ providers ⇄
physicians ⇄ pharmacists ⇄ pharmaceutical industry ⇄ patients

Source: Kesič, D.: Strategic alliances as a reality in the pharmaceuticals, 2nd MBA scientific meeting – Strategic alliances as Slovenia joins EU membership, March 16th, 2000, FEB Maribor, Work in the Proceedings, Institute for Management Development and Educational Association MBA club, Maribor, Slovenia, 2000.

We can forecast that, taking into account the mentioned factors, further consolidation and concentration of the world pharmaceutical industry is realistically to be expected. We expect the formation of even bigger pharmaceutical concerns in all the three sectors of the pharmaceutical industry. Also, a further lack of new products is expected, alongside greatly increasing competitiveness and a furious fight for market shares and global customers' loyalty. However, we underline that the marketing way of thinking and performing and a prudent market orientation of the world pharmaceutical companies will further split successful pharmaceutical companies from unsuccessful ones. Why is that so? Simply, we may argue that the marketing way of thinking and the marketing management performance is an urgent need even today, not to mention tomorrow and in the months and years to come in a highly globalized, complex, demanding, uncertain and competitive world.

4. IMPACT OF THE GLOBALIZATION PROCESS

We can state that globalization is almost a synonym for a modern economy. Globalization would not be possible without fast and profound technological achievements and changes. Nowadays, global competition is mostly based on the knowledge and technology, and on the ability to serve customers fast and repeatedly. Knowledge (technology), people and markets have become increasingly the basic and the most important competition factors among companies as well as among countries. Globalization has become almost a synonym for economic liberalization and the foremost opening of the world economies. The most active subjects of the globalization process are definitely

transnational or multinational companies. Through their operations they actually manage and control the international exchange of goods, diminishing its freedom as the largest part is conducted among multinational companies (inter-company goods or service exchange). All this has changed the structure of the world market, which has become almost predominantly oligopolistic. However, market competition has changed as well. We even talk about the competition advantages of particular companies. The OECD defines globalization as a "spreading and deepening of the companies' performance with the target to produce and sell goods or services on multiple markets."⁸ A later definition of globalization from the OECD says that we may define globalization more precisely "as a developing pattern of international business cooperation, which includes investments, trade and contractor ways of cooperation, and targets the development of products, production, procurement and marketing."⁹ Such international operations enable the companies to conquer new markets and use their technological and organizational advantages to lower the costs and the risks. Globalization is thus strongly related to increased mobility and competition. The main drivers of globalization are definitely transnational or multinational companies.

We emphasize that the following characteristics are significant for their performance, especially taking into consideration the multinational pharmaceutical companies:

- multinational companies have a good market position on the most important and strategic world markets,
- they globally integrate and connect their business operations, so a national identity is no longer important,
- they apply a flexible purchasing strategy,
- they have built a global network of production plants,
- they have organized their R&D activities globally,
- they have invested considerably into an efficient global marketing organization, which supports their strong market orientation and a strategic focus on customers.

We can say that globalization in its core meaning is a complex, market-conditioned world process, which is related to and driven by all the elements of the marketing way of thinking and acting, by sudden and fast changes in the way that business is conducted, along with increasing competition and competitiveness, in an attempt to optimally identify changing needs of the world customers and gain the ability to satisfy their long-term needs. It is very important to keep in mind that one needs to know how to detect the needs of customers and satisfy them in the long run. We would like to emphasize the fact that customers should be treated as the most precious asset of a company. This is why we stress that globalization is a market-driven process.

Therefore, it is crucial in the process of globalization to be strongly market-oriented, to be fast, to have loyal customers, to be innovative, to have knowledge, to learn fast and to have proper information. Bartlett and Ghoshal underlined that successful companies of today and tomorrow are those which are "able at the same time to satisfy local market needs, to increase global successfulness, to strive for constant innovativeness and constant global learning".¹⁰

Drucker mentioned the five most important elements of development which would influence greatly the strategies, structure and performance of future companies:¹¹

- economic relations would be formed among trade blocs instead of countries,
- business operations would be more and more a matter of strategic alliances, integrated into the world economy,
- restructuring of business would intensify and become more globalized, it would be important to have information and knowledge,
- strategic management of companies would be decisive for a competitive success,
- intense market orientation of companies would be a core advantage in achieving an edge over competitors.

Globalization is definitely an irreversible process and without intensive international operations companies

would not progress in the modern world. However, in order to be more successful, one must be capable to produce certain products more cheaply with the help of a better process technology while also being better-organized and market-oriented so as to react more quickly to market signals and demands, and to respond better and faster to customers' needs than its competitors. Also, we may say that the most important element of competitiveness is innovativeness – a capability to create new products and technologies, and to understand and conduct marketing management activities accordingly.

5. GLOBALIZATION PROCESSES IN THE WORLD PHARMACEUTICAL INDUSTRY

The world pharmaceutical industry has undergone intensive processes of concentration and consolidation over a period of more than 20 years. As we argue that R&D and marketing activities are the two most important and strategic priorities of modern pharmaceutical companies, into which the greatest portion of funds has been invested too, we may say that the main and key strategic reasons for the processes of consolidation of the world pharmaceutical industry, according to our research work, are the following:

- lack of new products to drive further sales growth,
- fast processes of globalization of the world economy,
- huge investments needed for R&D,
- global marketing and sales activities which require massive investments as well,
- increased competitiveness,
- changing structure of competition,
- world reforms of health care systems,
- growing importance of regulatory issues (registrations, intellectual property, litigation).

According to the results of our research, there have been more than 15,000 alliances in the world pharmaceutical industry in the last decade.¹² We found that consolidation and alliances had occurred in all three segments of the world pharmaceutical industry (among inventive – original pharmaceutical companies, generic producers and specialists). These alliances have created practically brand new pharmaceutical companies; meanwhile, some previously well-known firms have disappeared from the global market scene. For example, the world's leading pharmaceutical company Pfizer has been created from five major international players, such as Pfizer itself, Warner Lambert, Upjohn, Searle and Pharmacia. GlaxoSmithKline has emerged from five companies as well: Smith, Kline, Beecham, Glaxo and Wellcome. The world's leading generic player, Israeli Teva, has acquired more than 10 generic companies, including Lemmon, Gry, Prosintex, Biogal, Human, Biocraft, Pharmascience, Copley, Novofarm, Bayer Classics, Sico and Ivax to form today's Teva. German generic manufacturer Sandoz (part of the Swiss concern Novartis), as the second largest generic player worldwide, has acquired a major portion of other generic companies, such as Biochemie, Labinca, Lagap, BASF Pharma (Knoll) Generics, Apothecon, Lek, Amifarma, Sabex, Hexal and Eon Labs., to mention just the most important and significant ones. The U.S. generic major Barr Pharmaceuticals acquired Croatia's leading pharmaceutical company Pliva in 2006. And finally, one of the leading U.S. generic companies Mylan has recently acquired German generic entity Merck Generics.

In our research we found that the world pharmaceutical industry is becoming increasingly oligopolistic. We may refer entirely to Knickerbocker's theory of oligopolistic reaction, which says that oligopolistic companies, seeking to avoid destructive effects of competition, follow each other to new markets to protect their own interests. He outlines that the action of one player creates the reaction of its competitors, fuelling the process of oligopolization.¹³ We may conclude that Knickerbocker's theory illustrates and explains perfectly the process of consolidation of the world pharmaceutical industry.

Table 6: Overview of the latest pharmaceutical alliances in the year 2006 and 2007

Target company taken over	Acquirer	Creation of synergies
Schering AG, Germany	Bayer, Germany	R&D, markets, marketing&sales
Hemofarm, Serbia	Stada, Germany	markets, products, sales
Serono, Switzerland	Merck KGaA, Germany	R&D, markets, marketing&sales
Schwarz Pharma, Germany	UCB, Belgium	R&D, products, markets, marketing&sales
Altana Pharma, Germany	Nycomed, Denmark	R&D, markets, products, marketing&sales
Hospira, U.S.	Mayne Pharma, Australia	products, markets, marketing&sales
Pliva, Croatia	Barr Pharmaceuticals, U.S.	markets, products, R&D (biogenerics), sales
Kos Pharmaceuticals, U.S.	Abbott, U.S.	R&D, products, marketing&sales
MedImmune, U.S.	AstraZeneca, United Kingdom	R&D, products (vaccines), marketing&sales
Organon BioSciences, the Netherlands	Schering-Plough, U.S.	R&D, markets, products, marketing&sales
New River Pharmaceuticals, U.S.	Shire Pharmaceuticals, United Kingdom	products, R&D, marketing&sales
Tanox, U.S.	Genentech, U.S.	R&D, products, marketing&sales
Merck Generics, Germany	Mylan, U.S.	markets, products, marketing&sales
Group MAKIZ, Russian federation	Stada, Germany	markets, products, marketing&sales

Source: own estimation, according to companies' official data

Alliance-forging continues to speed up as pharmaceutical companies try to follow their competitors' strategies of mergers and acquisitions (M&A) in an endeavor to maintain their global market position and long-term competitiveness. In our research we conducted a survey on the recent acquisitions and alliances of several world pharmaceutical companies in 2006 and 2007. This survey confirms our conclusions of a rapid consolidation and oligopolization of the world pharmaceutical industry.

It is evident that some stand-alone pharmaceutical companies are no longer capable of satisfying long-term and ever-changing market needs or the expectations of their customers, nor can they invest as heavily into R&D and marketing activities in an attempt to bring new products to global markets and exploit them properly. If a particular pharmaceutical company is not able to perform the development cycle on its own, it has to look for a suitable partner to form a strategic alliance. Forging alliances among partners

for the sake of maintaining long-term competitiveness is one of the most usable strategies in the world pharmaceutical industry today. We may argue that pharmaceutical companies make alliances in order to create common synergies and better exploit their common assets, knowledge, product life cycles and moreover to improve their marketing management strategies.

Thus, we may point out the following as crucial to the creation of common strategies of pharmaceutical companies:

- research and development (R&D), to create new products,
- products, to gain market shares and drive sales growth,
- markets, to create geographic and market expansion,
- marketing and sales, as the implementation of marketing and sales activities is essential for competing on global markets.

Due to the complexity of the pharmaceutical industry we may also say that pharmaceutical companies tend both to form alliances and to compete at the same time. They can cooperate on particular projects (for example in R&D) but may still compete strongly for particular market shares. This is the so-called C and C phenomenon that has been nicknamed “co-opetition” (cooperation and competition at the same time).¹⁴ Pharmaceutical companies tend to internationalize and globalize their business activities sooner than they have done in the past due to market liberalization, increased competitiveness and the need to reach considerable economies of scale.

According to this, Svetličič proposes that “modern ways of internationalization with the aid of network formation and strategic alliances enable internationalization without growth of companies. Today, companies decide for internationalization and alliances to:

- be closer to customers,
- increase effectiveness,
- gain better access to technologies and knowledge (know-how),
- to protect from competitors (strategic reasons).¹⁵

6. IMPORTANCE OF MARKETING MANAGEMENT IN THE WORLD PHARMACEUTICAL INDUSTRY

The world management guru Peter Drucker, who has especially emphasized the core importance of the marketing way of thinking and marketing management for a successful, highly competitive long-term business performance of companies, has once said about globalization and globalization management: “In the years to come, there will be two types of top managers: those who would be able to think globally with strong marketing management commitment, and those jobless.” The marketing way of global

thinking, performance and management thus enables companies to put customers in the center of all their business activities and to focus all business activities integrally on a common and final goal – to be successful in satisfying customers’ needs and to be better than competitors.

We need to take into account that companies nowadays do not conduct their business activities on the markets with constant, known customers, competitors and buyers, who do not change their preferred products. The companies of today, and moreover the companies of tomorrow, do business by battling with their fast-changing competitors, quick technological development, new and changing regulatory issues in the conditions of changing world trade policies, and with ever decreasingly loyal customers. We need to take into consideration the fact that today’s and tomorrow’s customers even more so have numerous offers of different products in each product category, and different, ever-changing demands for a variety of product and service combinations and as well as for a variety of prices. With a rich and various offer, customers will invariably opt for such a product or service which enables them to optimally fulfill their individual needs and expectations. According to our research, it is no surprise that successful companies, and with this strategy they will be successful in the future as well, know how to satisfy their focused customers’ needs. Within such companies marketing and marketing management represent the business philosophy of a whole company instead of being just a separate function.

This perfectly emphasizes Drucker,¹⁶ when he says “Marketing is so important that it cannot be a stand-alone function. If we look upon it from the point of a final result, i.e. from the point of view of the final customer, marketing represents whole business, whole business performance. Care for marketing must go through all company structures. Business success is not dependent upon a producer, but upon a customer.” For Drucker, a well-developed marketing management concept should be the most important one in a company, prevailing over “innovativeness, organization, financial resources, physical sources, productivity, social responsibility and demand for profit making”.

We found out in our research that the marketing way of thinking and marketing management are especially important in the pharmaceutical industry as pharmaceutical companies tend to be market-oriented and proactive by emphasizing the advantage of their pharmaceutical products. While trying to communicate within regulated frameworks, they tend to build strong brand names (trademarks) and to create long-term loyalty to final customers. It is decisive for them which product a doctor chooses and prescribes to the final user – a patient, and how many times that patient will use it: just once or repeatedly, or even choosing a competitor's product.

Thus, we may argue that marketing management is by no means the most important top or strategic business function in the world pharmaceutical industry. However, due to fast-increasing competitiveness and globalization, it has been gaining in its strategic importance.

The concept of marketing management in a certain way clearly defines a company's business philosophy. Here we may refer to and agree entirely with Corstjens' statement¹⁷ that the pharmaceutical sector, despite being very specific in all aspects, is an ideal case to show "how the practice and usage of the marketing management concept directly relates to a very successful business performance of this industrial sector".

According to our research, the marketing way of thinking and marketing management, besides the R&D function, is without any shadow of a doubt the most important function of innovative companies' business performance. Since changes in the world today are so fast and profound, it is difficult to follow them let alone predict their future course. This is especially significant for the world pharmaceutical industry. However, changes represent new challenges while also creating new business opportunities. Therefore, it is important to react and act quickly and to be proactive. So we may argue that it is crucial to be fast. A rapid and urgent adjustment is not merely the strategy to be adopted by smaller companies and countries but is a valid strategy of victorious survival for bigger systems, too, as changes in the world economy and globaliza-

tion are fast and tremendous. That is why we may argue that the systematic approach and the marketing way of thinking as well as marketing management are the decisive factors of strategic business success in a highly globalized and ever-changing world marketplace.

We may refer nicely as well to Hamel and Prahalad, who outline the category of customers as the highest strategic priority of a company by saying that "A company that wants to be successful even tomorrow and wants to make profits on tomorrow's markets, must build up competitive advantages which will bring higher relevant value for tomorrow's customers. If a company wants to be a leader, it must be capable to re-innovate its industrial segment and re-check its main strategies. If a company wants to be a leader in the future, it needs to learn thinking differently primarily on four issues: customers, meaning of competitiveness, strategy and organizational structure. Companies which create future are those ones which constantly search for the ways to use their competitive advantages in the new manner, in the new context and with a new goal, to satisfy future needs of the customers. If a company is not able to create future markets and ways to satisfy future needs of customers, it will find itself on the magically spilled treadmill, hopelessly trying to catch future competitors with falling profits of past performances".¹⁸

Some experiences and lessons from the global perspective of the world pharmaceutical industry could be beneficial for the management of pharmaceutical companies in the transition countries of the CEE (Central East European) region too. Taking into consideration the current market position of these companies, some marketing management guidelines for their marketing management policies and strategies could be suggested. First of all, their management has to understand the true strategic value of the marketing management function and, in addition, that globalization is a speedy, complex and definitely market-conditioned and driven process, which greatly influences day-to-day activities but even more so strategic business operations of pharmaceutical companies. Finally, these companies need to pay even more strategic attention to marketing management if they want to be

successful business performers in the future as well. The market has been changing so fast that some companies do not even notice these changes; such companies are in real danger of being shaken up by a takeover process, or they simply lack the ability to compete on the regional, international, not to mention on the global market further along the way.

We may say that world pharmaceutical companies conduct their business activities in a very turbulent environment, which requires constant adjustment to changes and quick final action decisions. We are of the opinion that the pharmaceutical companies which want to be among global leaders and successful business performers in the future need primarily to think comprehensively and differently about customers, markets, competitiveness, competitors and strategy in relation to structure so as to reach their targeted goals. They especially need to keep in mind the fact that the needs of tomorrow's customers are different from the needs of today's customers and they do change fast and tremendously in relation to the elements and facts which are important to the pharmaceutical industry itself. In that respect we foresee the role of the marketing way of thinking and marketing management as a decisive, dominant and the most important strategic function of individual pharmaceutical companies.

7. CONCLUSION

The purpose of this research paper was to investigate whether marketing management plays an important role in the operational and strategic performance in the world pharmaceutical industry. Using a variant of publicly available data and information, predominantly that on the business performance of the world pharmaceutical industry, the world pharmaceutical markets and the development trends within the pharmaceutical industry in our research work, we have found out that the world pharmaceutical industry has changed profoundly in the last couple of years. We provide empirical evidence that the intensive processes of concentration and consolidation have continued in all three sectors of the world pharmaceutical industry. In order to explain this phenomenon properly, we have ana-

lyzed in detail the trends in the world pharmaceutical industry and key reasons for such developments. We have found out that intensive globalization processes definitely influence and reinforce a consolidation of the world pharmaceutical industry. Furthermore, we may argue that increased competitiveness and a changed structure of competitors conditioned by M&A processes affect the strategic orientation of individual world pharmaceutical companies. The results of our research survey show that mergers and acquisitions prevail increasingly as a viable strategic orientation of the world pharmaceutical companies. However, taking into account the analyzed data, business performance of scrutinized pharmaceutical companies and the outcomes of our research study, we may support the hypothesis that marketing management plays a dominant strategic role in the world pharmaceutical industry. Furthermore, we may even argue that a rapid consolidation of the world pharmaceutical industry is a clearly market-driven process and one conditioned by typical strategic marketing management issues, such as: a lack of brand new products, intense competitiveness, rapid globalization, increased global marketing and sales activities, changing structure of competitors and a fierce fight for global market shares and customers' loyalty.

This is why we may emphasize that the marketing way of thinking and marketing management should become the most important strategic priorities of any pharmaceutical company that wants to be a successful business performer, maintain its long-term competitiveness and ensure its long-term development cycle as well. According to our research findings, we may argue that marketing management is bound to play an even more important strategic role in future globalization and concentration processes of the world pharmaceutical industry which we foresee as continuing at an intense pace. If a pharmaceutical company does not understand or apply marketing management as a top priority strategic function, some time in the future it will most probably be taken over by a pharmaceutical company which values and uses marketing management in its day-to-day as well as in its strategic business activities. We may further conclude that a future strategic development of the world pharmaceutical industry will depend predominantly on the strategic marketing management issues that the pharmaceu-

tical companies will be able to understand, develop and apply properly in their operational and strategic business performance.

In addition, we may point to several possible topics which might be interesting for future research in the field of pharmaceutical industry, such as a correlation between financial performance and investment into the marketing management activities of individual

pharmaceutical companies, the way in which marketing management influences and supports the development cycle of a particular pharmaceutical company and the roles of HRM (Human Resource Management) and cultural clashes in the process of consolidation and concentration of the world pharmaceutical industry, when faced with massive restructuring, down-sizing and cost-optimizing in the wake of M&A processes.

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