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Identifying and Evaluating Key Success Factors of Medication Brands Owned by Russian Manufacturers

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Abstract:
Russian enterprises use a wide range of marketing tools for successful promotion of medications in the pharmaceutical market. Marketing techniques that suit a particular enterprise best in terms of economic efficiency are selected depending on the contents of the product portfolio. The current study by the example of a Russian enterprise revealed a number of criteria for the success of promoting medications and biologically active additives on the market of the Russian Federation in the context of fierce competition with foreign manufacturers. The most important criteria were the following: market capacity at the start of sales, technological security, and promotion technologies.
Keywords: marketing, pharmaceutical market, promotion of medications, Russian manufacturers.

INTRODUCTION

Nowadays the success of the medication manufacturer largely depends on building a strong product portfolio. The modern marketing is a kind of activity aimed at meeting requirements and needs through exchange on the market – in other words, it is the interaction with the market. Using the marketing theory enables enterprises and firms to operate in accordance with its key principle: produce what is sold rather than sell what is produced (http://www.consultant.ru/document/cons_doc_LAW_58968/) [1].

The portfolio management becomes a priority for the company and raises the issue of identifying and evaluating potential blockbusters.

Understanding the key factors of the brand success is important for evaluating the long-term prospects of the company as well, especially for investors.

As a market management concept, the modern marketing faces the following challenges: to study the market, demand, tastes, and desires of consumers carefully and comprehensively; to adapt production to these requirements; to produce goods that meet this demand; and to influence the market and public demand in the interests of the firm.

These marketing tasks also outline its main functions: product range planning, demand formation, arrangement of advertising and sales promotion, planning sales operations, stock movement management, pre- and after-sales service for customers, pricing, and comprehensive study of the market and marketing activities (http://www.consultant.ru/document/cons_doc_LAW_61763/; http://www.consultant.ru/document/cons_doc_law_99350/) [2, 3].

Medication analysis tools allow the marketing department to forecast sales of the existing brands and objectively evaluate the development direction, in part as a tool for the market macro analysis and the choice of the development direction. It is beneficial to invest money in the pharmaceutical business.

Overall, the analysis helps to efficiently allocate the funds of the medication manufacturer and build a competitive product portfolio (http://www.consultant.ru/document/cons_doc_LAW_121895/) [4].

The pharmaceutical industry takes a special place in any economy, as it is one of the most important regulators of the living quality and interconnects the economic and social areas in society. A unique feature of the pharmaceutical market is its links to the natural needs of people, preservation of vital functions, and increase in the life expectancy. At the same time, the freedom to choose methods of promoting medications is substantially limited by legislative acts in force in the Russian Federation [5, 6].

The goal of this article is to analyze the key factors that influence the economic success of the promoted medications for efficient investments.

To achieve the set goal, the economic, medical, pharmaceutical and marketing factors of the brands produced by the Russian pharmaceutical company JSC PE Obolenskoe: Venarus, Maxilac, and Diara, have been analyzed, with the purpose of identifying the key success factors.

MATERIALS AND METHODS

The object of the study is the medications that show high annual sales.

The main research methods include analysis of major scientific literature on marketing by Russian and foreign authors, analysis of Russian and foreign articles, and data from the DSM Group (marketing agency) database and the AlphaRM (marketing agency) database. The databases contain monthly data on the procurement of over-the-counter (OTC) and prescription finished pharmaceutical products, biologically active additives (BAAs), and medical products by pharmaceutical institutions of the Russian Federation across Russia in general and detailed by region.

RESULTS AND DISCUSSION

Analysis of medications for systemic and external use in chronic venous insufficiency (CVI). Venarus brand

Analysis of medications for systemic and external use in CVI indicates an increase in the sales of the systemic medications and a drop in the sales of external medications, both in volume terms (units) and in value (rubles) (Figure 1).

Definition of the market for systemic medications: ATC C05C – medications affecting capillary fragility, all systemic forms.

The market capacity is 15 mln units, CAGR (2012-2016) (Compound Annual Growth Rate, the average annual growth rate taking into account the compound interest) is 1.5%; 7 bln rubles, and CAGR is 13.7%. The market is represented by 27 trademarks and 54 SKUs. The market is concentrated, 5 trademarks account for 92.5% of the market in rubles.

Sub-segment "Diosmin+Hesperedin" is the leader and major driver of the venotonic market in volume and value terms, rubles (Figure 2).

Detralex and Venarus are major drivers in volume terms.

Venarus has been increasing its volume distribution from year to year; 2017 observed stagnation (Figure 3). Representation in the market is high; about 60% pharmacies have top 3 players on the shelf (Figure 4).

Analysis of medications in the "probiotics" category. BAA Maxilac brand

Dynamics and structure of sales in medications and BAAs normalizing the gastrointestinal microflora. Market for probiotics amounted to 12 bln rubles and 40 mln units in 2016. The growth of the market for probiotics was + 9.4% in rubles, + 5% in volume terms in 2015-2016 (Tables 1, 2).

Linex, the leader on the market, which was losing its market share in 2012-2015, saw an active increase in its share (up to 20%) in 2016, which was due to the introduction of a new trademark – Linex Forte. Drivers of growth in this category in 2016 were Linex, Enterol, and Maxilac (Figure 5).

The average annual growth rate of Maxilac in 2012-2016 is 8 times the general market figure. The market share of Maxilac in rubles was 6.7% in 2016, which was 2.3% more than the 2015 figures. The Maxilac brand shows a steady increase in the distribution index – it reached 58% in 2017.

Analysis of antidiarrhetic medications. Diara brand

There are 3 INNs on the market for antidiarrhetic medications (A07), which people use on their own to cure diarrhea attacks: loperamide, nifuroxazide and dioctaedric smectite. Sales of these INNs in 2016 amounted to 4.8 bln rubles and 42 mln units (Figure 6).

Loperamide ranks 2nd in the structure of antidiarrhetic medications in rubles, making up 34% of these three INNs, and 1st in units, accounting for 63% (Table 3).

The market for loperamide amounts to 1.64 bln in rubles and 42.2 mln in units. The growth in 2015/201616 was 19% in rubles and 11% in units. The Imodium brand is the market leader. There was a 25% growth in rubles but a 11% drop in units in 2016. The increase in the Diara brand amounted to 17% in rubles and 41% in units in 2016.

All the three brands under review had marketing promotion to a certain degree. Commercials of the Venarus brand have been aired on the Russian Federal TV almost all year round for the last 4 years. Commercials of the Maxilac brand have also been aired on the Federal TV for more than six months a year for the past three years. Diara commercials were aired on cable TV in summer 2015-2017.

Information about all the three brands was published in the press for end users and for specialists: pharmacists and doctors.

There was also a constant digital (online) promotion of these brands during the PLC (product life cycle).

Data analysis across the JSC PE Obolenskoe brands and the analysis of successful medications in the Russian pharmaceutical market allowed to define a more complete list of criteria for key success factors. They include a high market capacity at the start of sales, status of the medication registration, market position (the best original product or the first generic in its class), security (limited access to raw materials, reproduction complexities, innovative technologies), and high rates of the volume distribution. Advertising was an obvious success factor as well (Table 4).

Table 1 Dynamics and structure of sales in the "probiotics" category according to DSM (in), thous. rubles

BRAND	2012	2013	2014	2015	2016	CAGR (2012-2016)
Linex (Sandoz)	3,104	3,237	3,440	2,953	3,138	0.27%
Bifiform (Ferrosan)	1,319	1,448	1,815	2,043	1,868	9.09%
Hylak (Teva)	936	982	955	1,012	1,031	2.44%
Acipol (Otcpharm)	432	573	724	855	1,031	24.3%
Maxilac JSC PE Obolenskoe	103	233	270	472	803	67.1%
Bifidumbacterin (all manufacturers)	651	655	660	858	784	4.76%
Enterol (Biocodex)	185	128	201	346	742	41.5%
Normobact (Akrikhin)	168	277	386	479	529	33.2%
Bactistatin (Stada)	89	81	97	194	233	27.3%
Rioflora (Takeda)	69	83	124	150	156	22.6%
Other	1,504	1,564	1,604	1,610	1,691	2.97%
Total	**8,560**	**9,260**	**10,275**	**10,972**	**12,006**	**8.82%**

Table 2 Dynamics and structure of sales in the "probiotics" category according to DSM (in), thous. units

Brand	2012	2013	2014	2015	2016	CAGR (2012-2016)
Linex (Sandoz)	11,188	11,192	10,527	7,735	8,227	-7.40%
Bifiform (Ferrosan)	4,821	5,272	5,853	6,129	5,376	2.76%
Hylak (Teva)	5,286	4,616	3,991	3,205	3,186	-11.9%
Acipol (Otcpharm)	2,253	2,739	3,106	3,270	3,831	14.2%
Maxilac JSC PE Obolenskoe	436	994	1,132	1,404	2,272	51.1%
Bifidumbacterin (all manufacturers)	7,056	7,226	6,985	7,645	6,930	-0.45%
Enterol (Biocodex)	710	361	536	807	2,122	31.5%
Normobact (Akrikhin)	929	1,386	1,653	1,567	1,633	15.2%
Bactistatin (Stada)	557	442	427	633	695	5.70%
Rioflora (Takeda)	410	391	498	479	371	-2.47%
Other	7,393	7,143	6,489	5,277	5,409	-7.52%
Total	41,040	41,762	41,197	38,149	40,052	-0.61%

Table 3 Sales of INN Loperamide, thous. units

Medication	2012	2013	2014	2015	2016	CAGR (2012-2016), %
Imodium (Johnson & Johnson)	766	891	855	813	1,015	-2%
Loperamide (all manufacturers)	166	162	155	250	340	8%
Lopedium (Sandoz)	189	201	186	211	156	-4%
Diara JSC PE Obolenskoe	5	8	16	67	79	97%
Other	35	39	46	38	47	-14%

Table 4 Factors that affect the success of Venarus, Maxilac, and Diara medications

Criteria	Venarus	Maxilac	Diara
Success	The greatest growth in the INN group in units and rubles for the last 5 years	Average annual growth rate in 2012-2016 was 8 times the general market figures	Intensive sales growth in recent years has been ensured by successful marketing promotion exclusively
Market capacity at the start of sales	6,500 mln rubles (sales launched in 2009)	11,300 mln rubles (sales launched in 2011)	660 mln rubles (sales launched in 2008)
Registration status	OTC medication	BAA	OTC medication
Market position	First generic	Conditionally original product	Third generic
Security	Technological limitations due to limited access to raw materials	Patented MURE technology	no
Rates of the volume distribution	In 5 years – 48%, 2016 – 75%	In 5 years – 55%, 2016 – 58%	In 5 years – 14%, 2016 – 45%
Promotion	Activity in the media, TV, Internet, press, trade and marketing campaigns, cooperation with doctors	Activity in the media, TV, Internet, press, trade and marketing campaigns, cooperation with doctors	Activity in the media, TV, Internet, press, trade and marketing campaigns in the past 3 years

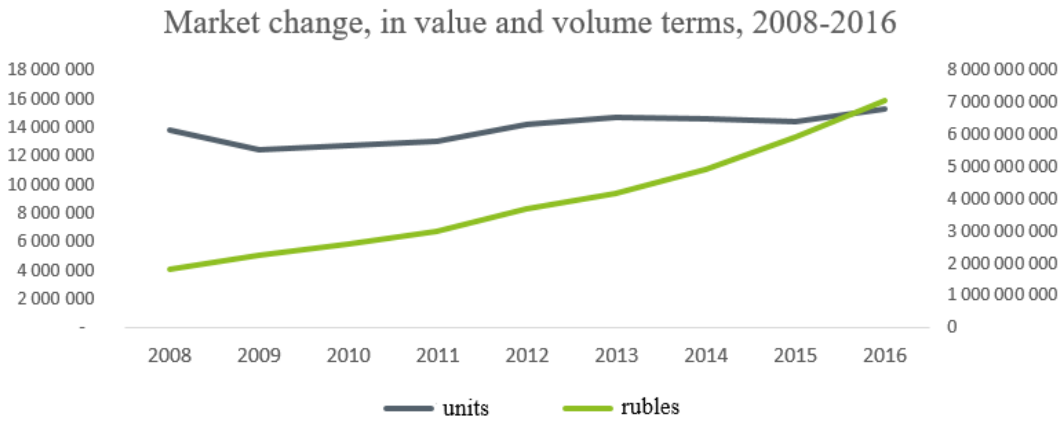

Figure 1. Changes in the market for CVI medications in 2008-2016, in rubles and in units

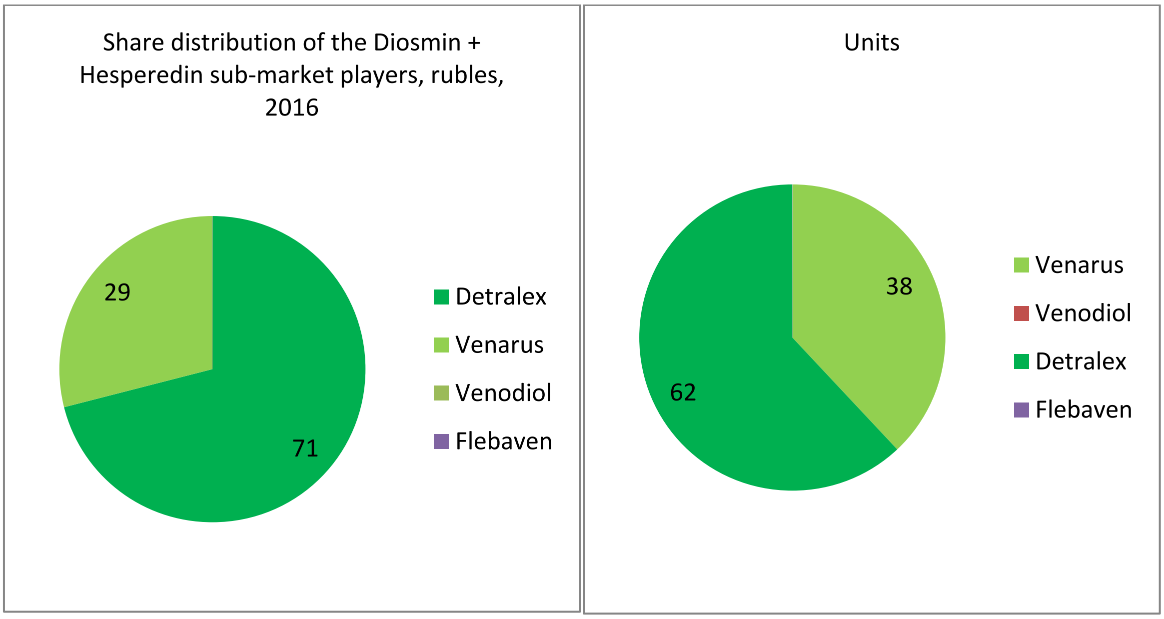

Figure 2. Share of the INN Diosmine+Hesperedin market brands, 2016, in units and in rubles

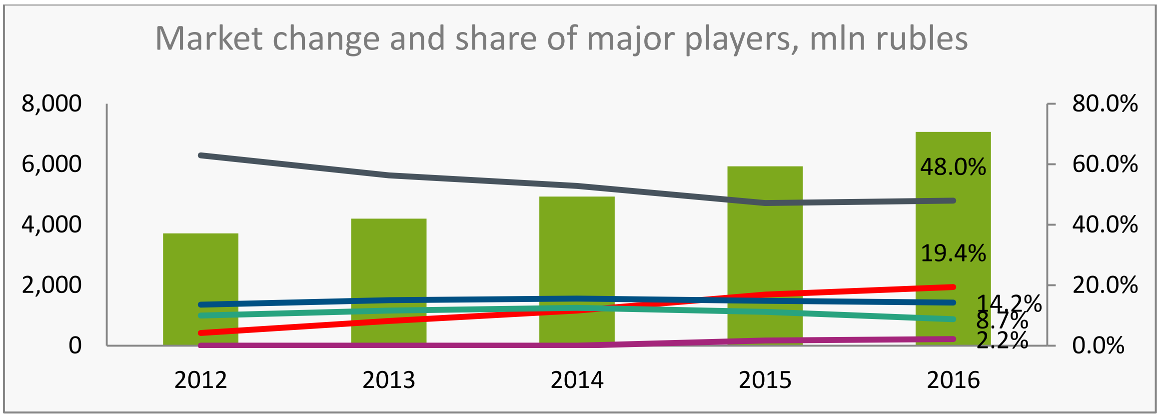

Figure 3. Market change and share of major players in the market for medications for the treatment of CVI in rubles and units

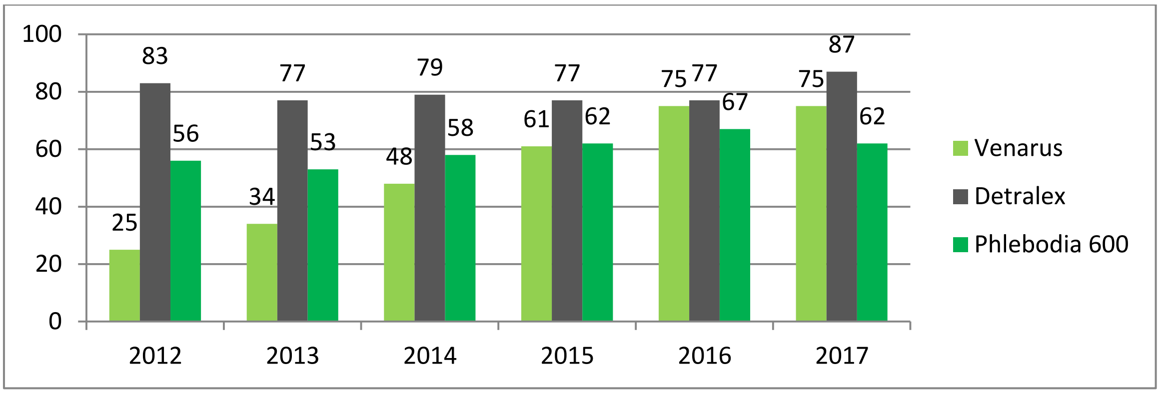

Figure 4. Volume distribution of major players at the market for medications for the treatment of CVI in the Russian Federation

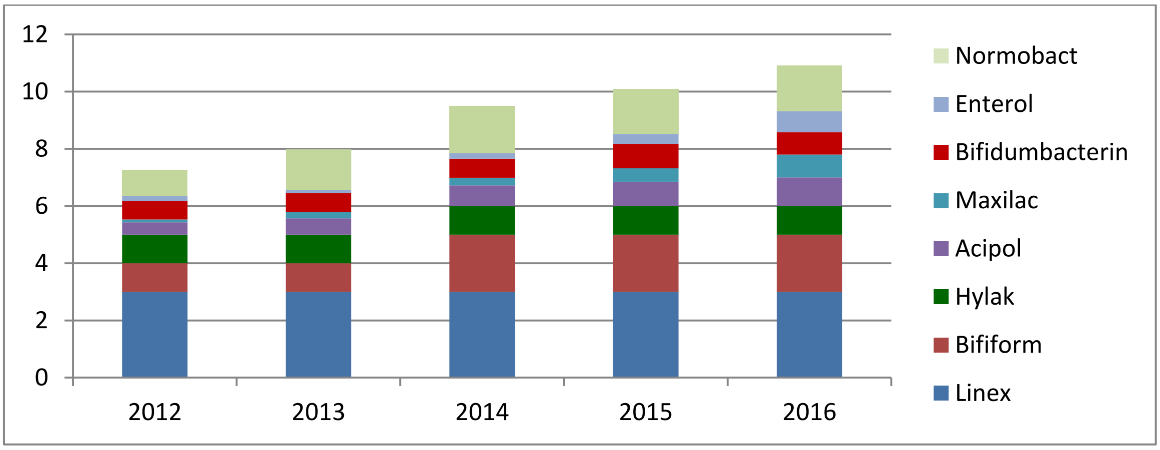

Figure 5. Market for probiotics in the Russian Federation in 2012-2016

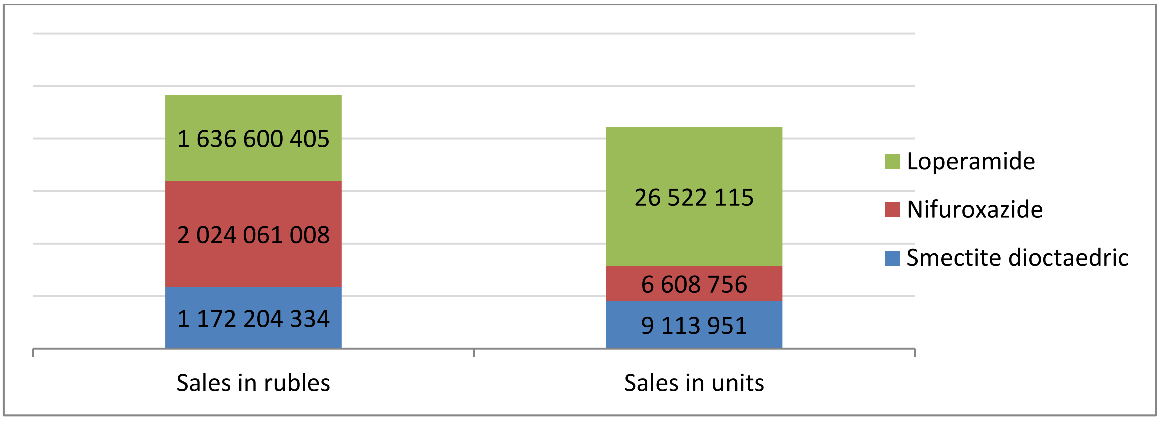

Figure 6. Market for antidiarrhetic medications in the Russian Federation in 2016

The Venarus and Maxilac brands are more successful than the Diara brand. Common criteria for these medications are registration status and marketing promotion. Differences can be seen in the identified criteria: market capacity and market position. Venarus is not an original product, but it is the first generic; Maxilac is a conditionally original product, as the first medication with a similar composition (nine beneficial microorganisms). Diara is the third branded generic and also has many unbranded INNs as competitors. The rates of the volume distribution should be considered retrospectively – 5 years after the brand launch. It can be seen that the growth of the Venarus and Maxilac brands' representation in pharmacies is much higher than that of the Diara brand, which can be both a cause and a consequence of less successful sales. A deeper analysis of the medications produced by JSC PE Obolenskoe has also revealed that more successful Venarus and Maxilac medications have technological limitations in the reproduction by other companies, such as limited access to raw materials (Venarus) or patented production technology (Maxilac).

CONCLUSIONS

Common criteria, similar among successful brands, were revealed during the analysis. Detralex (angioprotective medications), Linex (probiotics), and Actovegin (hematological medications) were taken as samples. Common criteria were high market capacity, market position and high rates of the volume distribution. The OTC registration status of the medication is an important though not mandatory criterion. It is related to the possibility of promotion among end users, which improves the brand awareness.

Analysis of the economic, medical, pharmaceutical and marketing factors of the JSC PE Obolenskoe brands – Venarus, Maxilac and Diara – helped to confirm the previously assumed factors of brand success and to reveal another parameter – security of technologies.

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