

# Pharmacy Business Development through Business Networking

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## Abstract

The objectives of the study are to discover the ways of creating pharmacy business networks, promote private drug store business and provide strategic plan for pharmacy business development. Open ended semi-structural guidelines were used as a primary data collection method, which includes in-depth interviews with 6 key informants from several drug store-related associations, and focus group with 12 participants who deeply involved with pharmacy business.

The results reveal the structure of drug store association networks, the model and guidelines to develop pharmacy business networks, and the impact of ASEAN Economic Community on pharmacy business, as well as the potentials of pharmacy business networks. The recommendations regarding strategies that should be taken are: (1) developing knowledge, capability, and potential of each association's members, (2) promoting effectiveness networks development, (3) promoting cooperation between government, education institutes, and supporting industries. All of these strategies would lead to the development of a strong pharmacy business association.

**Keywords:** Pharmacy Business, Pharmacy Business Networks, Strategic plans

## Introduction

The cooperation of business group/association to be networks (it can be either formal or informal networks) is another mechanism promoting competitiveness and development business and its members especially after ASEAN community establishment in 2015 which intensity and complicate the competition in various business sectors. At the present, many countries succeed in enhancing their coordination by utilizing the power of partnership within the business networks for both horizontally and vertically.

Drug stores were exclusive retailer with a long running record in Thailand. However, in order to survive from the competition of foreign chain business who can take over the market, they need to adapt by partnering with other players to improve their business potential. This will strengthen Thai's local pharmacy in the free economy environment.

## Purposes

The study of pharmacy business development through business networking has the following objectives:

1. Study and analyze pharmacy business networks development in order to strengthen the business.
2. Propose strategies to promote pharmacy business.

## Research Process

This research includes the following data collection methods:

1. Study secondary data related to pharmacy business for better understanding of business context in Thailand.

2. In-depth interview the key informants, included the representatives from pharmacy-related associations(number of key informants: 6 persons). The representative comes from Thai Pharmacies Association, Food and Drug Administration, Community Pharmacy Association, and Pharmaceutical Research and Manufacturers Association.

3. Focus group with several important persons in pharmaceutical and other relating business and gather their comments and initiatives on pharmacy business development through business networking (number of joined individuals: 12 persons).

The instrument used to collect data in this research is openended semistructured guidelines; additional questions can be added in accordance to personal experience of each key informant. The topics are status and competitive potential of pharmacy business, experience and opinion on establishing pharmacy business networks, and impacts of transition into ASEAN community on pharmacy business.

In data analysis process, the collected data were used to create linking diagram of pharmacy business. The strategy on how to establish the networks is also generated. After that, the impact on pharmacy business; both positively and negatively resulting by entering ASEAN Economic Community were studied,SWOT analysis for building association networks. Finally, the meaningful strategies recommendation for promoting the networks were synthesized using aforementioned data.

## Result

The presentation of the results is to answer this research's objectives; starting from pharmacy business context, the study and guideline to



create pharmacy business networks, the impact of entering ASEAN Economic Community, and pharmacy business networks potential analysis. All of these lead to final strategic recommendation on how to establish proper pharmacy networks.

### 1) Context of Pharmacy Business in Thailand

The market value of pharmacy business in 2012 was approximated 112,941.9 million baht (Euro-monitor International. 2012). This value consists of hospital prescription 57,013.4 million baht and 55,928.4 million baht of personal usage. The market value in the year 2013 was approximated 150,000 million baht, which can be divided into 50 percent of generic drugs (72,000 million baht), 20 percent of over-the-counter drugs (27,000 million baht). (The Global Use of Medicines: Outlook through 2017). The major demand of hospital was the drugs which are, and required massive amount of dosage. The examples are antihypertensive drugs, heart disease drugs, hypolipidaemic agents, and several types of finished drugs such as tablets, clear liquid, syrup, etc. At the same time, the demand of small drug stores are main by general drugs which require no doctor prescription such as hazardous drug (required pharmacist control)

or finished drugs which are not dangerous, and household general drugs.

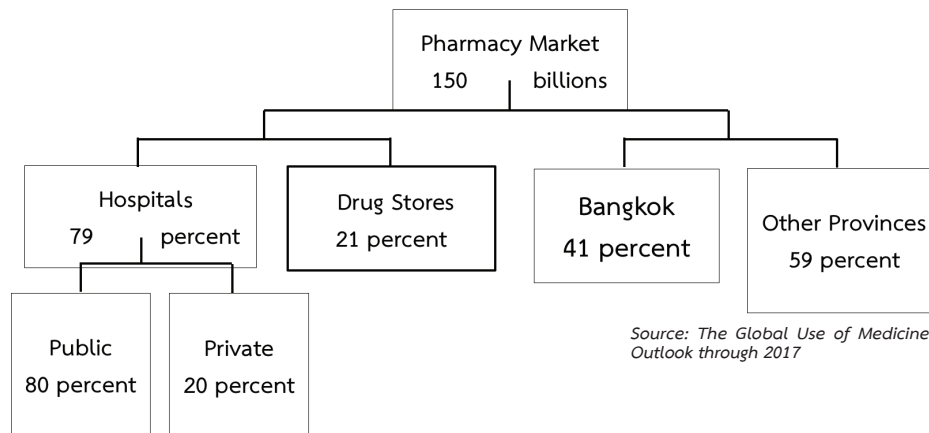
Pharmacy market in Thailand primarily consists of 79 percent of hospital market and 21 percent of drug store market. The hospital market can be further separated into 80 percent of public hospital and 20 percent of private hospital. Alternatively, pharmacy market in Thailand can be divided into 2 sections based on geographic location, which are 41 percent in Bangkok, and 59 percent in other provinces. The information regarding pharmacy market of the year 2015 are presented in figure 1.

In 2015 there were 175 firms in pharmacy business, 152 firms were certified by GMP standard while 23 firms were still under renovation (Bureau of Drug Control, 2015). In this year there were 669 import hubs in Thailand consists of 605 in Bangkok and 64 in other provinces. There were 12,222 drug stores consists of 4,542 locating in Bangkok and 7,680 locating in other provinces as showed in table 1.

**Table 1: Import Hubs and Drug Stores in 2015**

Format	Number of Location		
	Bangkok	Regional	Total
Import Hubs	605	64	669
Drug Stores	4,542	7,680	12,222

Source: Bureau of Drug Control, Food and Drug Administration



Source: The Global Use of Medicines: Outlook through 2017

Figure: 1 Pharmacy Market, Year 2015

In 2015, total amount of drug manufacturing was 37,495.94 tons, decreasing 1.4 percent from 38,034.41 tons of 2014. Total Sales in 2015 was 34,847.76 tons, decreasing 2.2 percent from 35,641.50 tons of 2014. The information regarding production and sales amount of pharmacies in Thailand during 2012-2015 was presented in table 2 and table 3 respectively.

According to the data of imported pharmacy, the amount of the imported drugs was increasing up until 2015 totaling 64,968 million bath, this is mainly the result from importing the drug that couldn't manufactured locally because of patent concern lack of necessary raw material sources and unqualified manufacturing standard. On the other hand, exporting activity was also increasing up until

2015, which totaling 11,387.51 million bath (Thai Pharmaceutical Manufacturers Association, 2015)

At the same time, the trend of exporting pharmacy is gradually increasing, based on the data from 2013, which totaling at 449.15 million USD. The main exporting market of 2015 was Myanmar (71.52 million USD.) and Vietnam 270.02 million USD.), these two countries owned 31.51 percent of total export. Others export markets are Cambodia, Belgium, Philippines, Malaysia, and Hong Kong respectively. (Department of Export Promotion, 2015)

## 2) Linkage Structure of pharmacy related business groups

From the outlook of pharmacy business,

**Table 2: Domestic manufactured pharmacies**

Unit:Tons

Type	2012	2013	2014	2015
Tablet	10,057.18	9,442.62	10,002.73	10,376.73
Liquid	19,136.91	16,535.71	18,775.22	17,133.48
Capsule	1260.546	1158.429	1393.922	1,691.68
Injection	1307.816	1229.133	1310.201	1,454.24
Cream	3,421.63	3,078.18	3,081.82	3,906.79
Powder	3,860.79	3,765.37	3,470.52	2,933.01
Total	39,044.88	35,209.44	38,034.41	37,495.94

Source: Industrial Economics Information Center, Office of Industrial Economics

**Table 3: Domestic sales of pharmacies**

Unit:Tons

Type	2012	2013	2014	2015
Tablet	9,548.10	9,220.47	9,439.33	9,442.08
Liquid	19,608.61	17,694.43	20,382.16	18,579.42
Capsule	1,260.77	1,346.60	1,572.14	1,871.15
Injection	1,072.36	1,015.94	1,117.89	1,288.96
Cream	2,477.25	2,447.06	2,571.11	3,171.08
Powder	563.48	568.25	558.87	495.08
Total	34,530.57	32,292.77	35,641.50	34,847.76

Source: Industrial Economics Information Center, Office of Industrial Economics

there are 5 main players which are research and development, production, distribution, marketing and sales, and consumption. Thailand was still lacking the research and development to develop new medicine, lacking both of funding, technology, and specialized human resources. Also, no economies of scale didn't incur because of low production output. Most of Thai entrepreneurs in medicine industries have small factories with fund less than 50 million baht. These facilities can only produce finalized drugs (step 1; newly research drugs, step 2; drug's material produce; and step 3; finalizes drugs) by using imported raw materials for general drugs in different forms such as tablet, capsule, liquid, and cream. These pharmacy firms still cannot produce drug's material or medicine active principal because of lacking raw materials and technology.

Many business groups integrate to form several association in order to promote their potential and to expand their business such as The Druggists Association, Thai Pharmacies Association, Pharmaceutical Research and

Manufacturers Association (which continuously holding technical training, promote research and development for new products), and Thai Pharmaceutical Manufacturers Association (which holding effective production training for their members, and gaining support from the government for production, cost reduction, etc.). All of these because in the pharmacy industry still face production problems of lacking both of research and development, and technology. Moreover, the scale of production was not sufficient to economies of scale both for distribution channel and sale through drug stores. It is very interesting to study more about pharmacy structural networks to see the mechanisms which driving the effective and efficient the movement in beneficial cooperative activities, and whether or not they have networks strategy direction in marker and distribution channel.

According to pharmacy business value chain in figure 2, it shows that the main business positions are research and development, production, distribution, marketing and sales, and

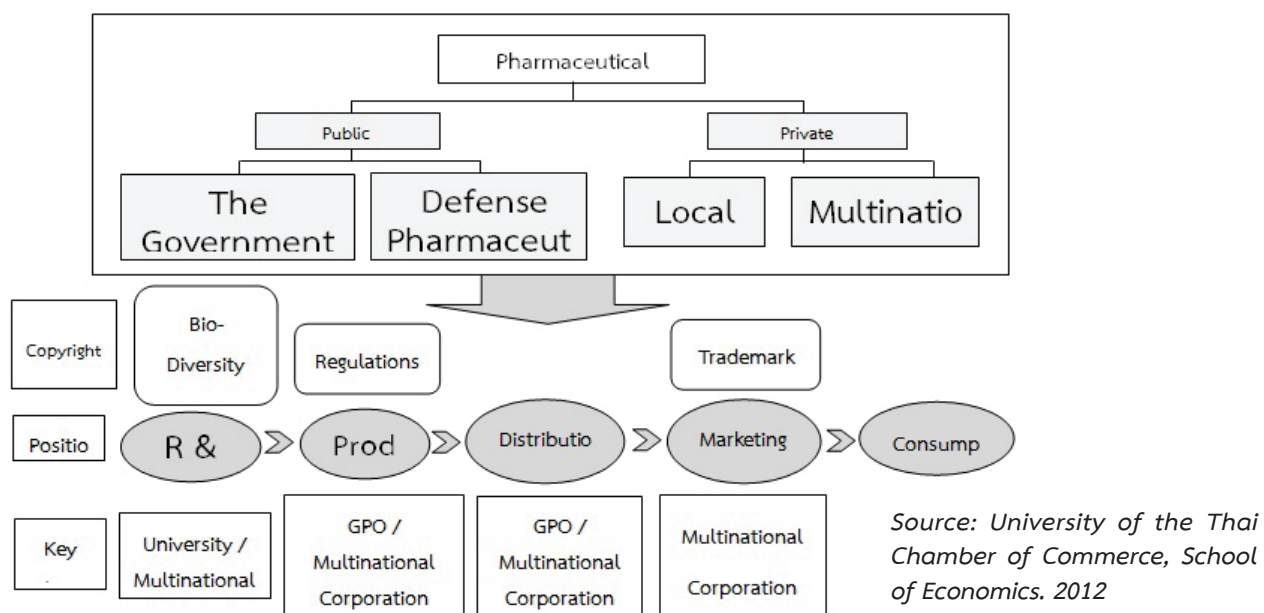


Figure 2: Value Chain of the Current Pharmacy Business

consumption. In Thailand, the position of research and development is still severely lacking. Moreover, in the position of production, Thailand can only produce finalized drugs. These facts amplified the importance of distribution strategy.

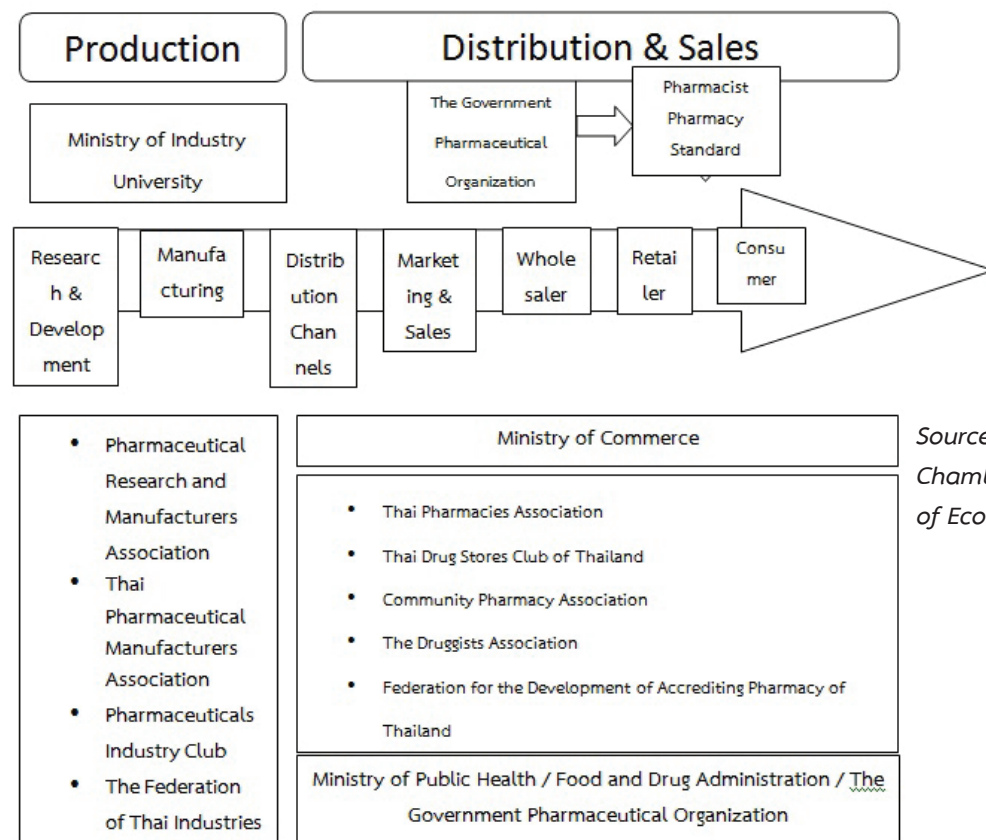
The figure 3 shows the link among pharmacy business networks, which includes the link between pharmacy business and other related business such as specialized institutes, educational institutes, research units, supporting organizations, and government agencies. This value chain shows the effectiveness of pharmacy distributions to the consumers, it consists:

(1) The establishment of related business networks, which includes domestic and foreign pharmacy manufacturers, in order to expand the distribution networks.

(2) Networking through supporting organiza-

tions such as Thai Drug Stores Club of Thailand, The Druggists Association, Community Pharmacy Association, and Thai Pharmacies Association in order to increase bargaining power against both domestic and foreign manufacturers as well as helping each other for effective and sustainable development.

Having a unique purpose is important for achieving the successful networking. The Treat facing drug store in 3 organizations; Thai Pharmacies Association, Thai Drug Stores Club of Thailand, and Community Pharmacy Association are very similar. However, the current marketing position of each organization are set differently, this they focus on different issues, moreover the major factor which will affect the success of the networking is the leader, who see the overview business and the importance of business networking



Source: University of the Thai Chamber of Commerce, School of Economics. 2012

Figure 3: Linkage Structure of pharmacy business networks



that can strengthening members.

### 3) Guidelines to Pharmacy Business Networking

The guidelines to pharmacy business networking can be separated into 2 main issues includes business networking between group and business networking among professional standard.

(1) Business Networking Between Group can be done by linking the associations or organizations which have similar business or related, for example networks of Thai Pharmacies Association, Community Pharmacy Association, and Thai Drug Stores Club of Thailand. The important part of this guideline is the participation of every stakeholder as well of sharing the same vision of benefits and objectives, in order to solidify the cooperation between organizations. Moreover, the pharmacy networking might include new products introduction in this business such as health related product, Thai herbs, Chinese herbs which one important trends. These should be a concern over the standards of the products and the safety of the consumers. The introduction might include services such consulting for Chinese medical expert, etc.

(2) Professional standard networking emphasized on pharmacists currently has related to law of having at least one professional pharmacist in drug stores, this standard is fundamental to improve service quality of pharmacy business and prepare the country for the upcoming ASEAN Economic Community.

### 4) Impacts of entering ASEAN Economic Community

The overview of pharmacy business in Thailand is still lacking the research and development for new products. Most of the production is small

sized (less than 50 million baht investment), only produce finalized drugs and required imported materials. In distribution system, most of pharmacy business is a stand-alone small size drug store, while there many foreign chain pharmacie such as Fascino, and Watson which intensity the competition in pharmacy market. The launching of ASEAN Economic Community was the impaction Thai pharmacy business both in positive and negative directions as followings:

#### Positive Impacts

(1) Bigger market. Because Thai pharmacy business is one of the more advance in ASEAN, thus ASEAN Economic Community might increase market capacity for Thai drugs.

(2) Cheaper and good quality materials. Because Thailand still gas to import the majority of raw materials from other countries, thus ASEAN Economic Community might open up alternatives for cheaper raw materials costs.

#### Negative Impacts

(1) Intensity Competition. Because moat of Thai drug stores are stand-alone which have limited funding and resources, comparing to global pharmacy chain, these stores would have disadvantages in development and marketing. Foreign firms investment are easier when ASEAN Economic Community exists, the results are more intensive competition. If Thai entrepreneurs are unable to match their potential with these competitors, they would be out of business.

(2) Unready personnel. The existing of ASEAN Economic Community means more foreign customers, thus language skill training for employees is very important. Moreover, this also means more movement of pharmacy profession. Even there is still no agreement on free mobility of pharma-



cist, but it is possible in the next future do the preparation is necessary.

### 5) Potential analysis of pharmacy business networks

SWOT analysis was used in this step, and provided the following results:

#### Strength

(1) Association's directors and aware of the importance of business networking

(2) Establishment of Federation for the Development of Accrediting for Thailand drives the corporation

(3) Association's directors have passion to improve and develop the networks

(4) Diversity of the related associations; in both business and professional side, are the attribute that promote effective business networking

#### Weakness

(1) The members have no awareness to the benefits of business networking

(2) No apparent cooperation from Federation for the Development of Accrediting for Thailand

(3) Lack of association/organization to coordinate with government in policy practices

(4) Intense competition incurs difficulty to cooperate

#### Opportunity

(1) ASEAN Economic Community instills awareness and preparation in business networking

(2) Higher consumers concern of products quality which amplified the importance of business networking

(3) The government concerns about public health service development by including it in the 11th National Economic and Social Development Plan (2012-2016)

#### Threat

(1) Unclear national health welfare system and strategy, which is still under revision

(2) No appearance support from the government

(3) Difference customers standard because of uneven enforcement of pharmacy-related law

### 6) Strategic recommendation on development pharmacy business networks

In order to materialized and succeed in pharmacy business networking, the strategic plan and initiatives are needed. Both government and private organization should give a priority on these action plans as shown in table 4. All of the contents are about promoting pharmacy business networking under the following strategies:

(1) Developing knowledge, capability, and potential of each association's members

(2) Promoting effectiveness networks development

(3) Promoting cooperation between government, education institutes, and supporting industries

### Conclusion

For the sake of effectively establishing the pharmacy business networks, the government and private organization have to come up with strategic plan and imitative by considering the results from this research which are (1) developing knowledge, capability, and potential of each association's members, (2) promoting effectiveness networks development, and (3) promoting cooperation between government, education institutes, and support ingindustries. To conclude, there are 4 recommendations for developing a pharmacy business networks as following:



**Table 4: Recommendation on promoting pharmacy business networking**

Strategy 1: Developing knowledge, capability, and potential of each association's member		
Short-run Plan	Intermediate-run Plan	
<ul style="list-style-type: none"> <li>• Set training programs for drug store which are necessary such as management, marketing</li> <li>• Building business networks among members by focus on mutual benefits that will take place</li> </ul>	<ul style="list-style-type: none"> <li>• Promote business field trip to the country which has advance pharmacy business and public health system</li> <li>• Scholarship for related science as pharmacy, management, and marketing</li> <li>• Set training program on important topics</li> </ul>	
Strategy 2: Promoting effectiveness networks development		
Short-run Plan	Intermediate-run Plan	Long-run Plan
<ul style="list-style-type: none"> <li>• Convince the stakeholders to become members and collect database of all stakeholders for benefits on business networking</li> </ul>	<ul style="list-style-type: none"> <li>• Hold an ongoing conference for each association in the business to educate the importance of business networking</li> </ul>	<ul style="list-style-type: none"> <li>• Setting an organization that every association have to strongly participate in order to create a sustainable networks</li> <li>• Expand the networks by both diversification and profession</li> </ul>
Strategy 3: Promoting cooperation between government, education institutes, and supporting industries		
Short-run Plan	Intermediate-run Plan	Long-run Plan
<ul style="list-style-type: none"> <li>• Cooperating with the government, education institutes, and supporting industries to promote knowledge and potential by holding activities such as training programs, conferences or seminars</li> </ul>	<ul style="list-style-type: none"> <li>• The business networks would find and present development guidelines to the government, education institutes, and supporting industries in order to gain necessary factors</li> </ul>	<ul style="list-style-type: none"> <li>• Finding fund to support the business field trip to the country which has advance pharmacy business and public health system in order to develop a sustainable pharmacy business</li> </ul>

Source: From the study

1. *Holding training programs of store management.* Most of Thai drug stores nowadays are family business, which have old management style. Under more intense competition, these drug stores must have a more effective way to management their stores.

2. *Holding training programs of marketing.* Most of Thai drug stores business doesn't have this expertise. An effective marketing plan would enhance both domestic and international business competitiveness, and provide good preparation for ASEAN Economic Community.

*3. Holding conferences about project drafting.*

Nowadays, many associations want to develop their member's competitive potential but faced the lack of funding problem. It would be beneficial to networks development if the government provide the necessary knowledge in project proposal, presenting to the public or private organization in order to get financial support.

*4. Regularly holding conferences of all stakeholders in pharmacy business.*

This might be a brainstorm meeting in several topics or a cooperative activity, thus reduce the problem of non-participated members as well as promote the willingness to cooperate and familiarity between members or associations. This is crucial for establishing a success business networks.

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