

# Moving from Change to Success: A Case Study of Pharmaceutical Industry Resilience

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## Abstract

Pakistan has a very vivacious and forward looking Pharma Industry. At the time of independence, there was hardly any pharma industry in the country. Today Pakistan has about 800 pharmaceutical manufacturing units together with those operated by 25 multinationals present in the country. The Pakistani pharmaceutical industry has not yet achieved a satisfactory share of the national market as compared to other Asian markets. Pakistan has not yet taken a position in the international market that would be proportionate with the size of the country and the incontestable professionalism of its pharmaceutical industrial personnel. During the era of 1993 to 1999 the Pharmaceutical Market in Pakistan was considered to be one of the most profitable industries. The economy was quite stable. The exchange rate for 1 US\$ was equal to Rs.33/-. Pakistan entrepreneurs were diverting from the western sources to Far East like Korea, Malaysia and Thailand

etc. SRO 471(1) 1993, regarding the prices (controlled and de-controlled) gave significant advantage to all the pharmaceutical companies, both imported and locally manufacturer, in terms of fixing their product prices equal to brand leader. Beside this, Ministry of Health supported the registration of imported medicines to overcome the monopoly of multinationals.

Salus Pharmaceutical is perhaps the only company in Pakistan, with only one product name Saloxone (Ceftriaxone Sodium) in market. Salxone has a unique history as it was launched 4 time since its first introduction, and yet, the company is in profit. All available strengths of Salxone injections, are being prescribed by a large number of doctors. The company went through tough circumstances but still managed to cope up and proved itself over time. The case study highlights the resilience, determination and sound market

strategies adapted by Salus Pharmaceuticals which made the company a success story.

## Keywords

Saloxone, Salus Pharmaceutical, ceftriaxone sodium, resilience, local pharmaceutical companies.

## 1. Introduction

Pakistan has a very vivacious and forward looking Pharma Industry. At the time of independence, there was hardly any pharma industry in the country. Today Pakistan has about 400 pharmaceutical manufacturing units together with those operated by 25 multinationals present in the country (Ahmed and Jalees, 2008). Around 70% of the country's demand of Finished Medicine is met by the pharmaceutical industry. The domestic pharma market, in term of share market is almost evenly divided between the Nationals and the Multinationals (Zaidi et al., 2013). The National pharma industry has shown a substantial growth over the years, predominantly over the last one decade. The industry has invested significantly to upgrade itself in the last few years and today majority of the industry is following Good Manufacturing Practices (GMP), in accordance with the National as well as

International Guidelines. Presently, the industry has the capacity to manufacture a variety of product ranging from simple pills to sophisticated products. Though Pakistan's pharmaceutical and healthcare sectors are expanding and evolving rapidly, but still about half the population has no access to modern medicines. Pharmaceutical spending accounts for less than 1% of the country's GDP, equivalent to levels in some neighboring countries but above that in some of the South Asian countries. Evidently this call for more efforts by the government and industry's stakeholders (Ahmed, 2012).

Although, only one-third of 1% of the total world pharmaceutical market is represented by Pakistani market but its annual growth rate is twice as fast. It is relevant to mention that Pakistan imports from all over the world around three times more pharmaceuticals than it exports which mainly go to few African countries (Zaman, 2011). The Pakistani pharmaceutical industry has not yet achieved a satisfactory share of the national market as compared to other Asian markets. Pakistan has not yet taken a position in the international market that would be proportionate with the size of the country and the incontestable professionalism of its pharmaceutical

industrial personnel. Main international stakeholders in Pakistan are GlaxoSmithKline Pakistan, Johnson & Johnson, Aventis Ltd., Abbot, Novartis, and Pfizer etc. Establishment of research and development department in every pharmaceutical industry and appropriate utilization of central research fund can improve the industry (Ahmed, 2012).

## 2. Case Study

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### 2.1 History & Pharmaceutical Market Operational Strategy of Salus Pharmaceutical

Salus Pharmaceutical was established in 1995. It was an import based company. After extensive deliberations three different strengths of a product named Salxone (Ceftriaxone Sodium) was finalized for applying for registration from Ministry of Health. In 1998, Salxone (Ceftriaxone Sodium) was registered by the Ministry of Health in three different strengths i.e. 1 gram, 500 mg and 250 mg. After registration, the company decided to launch its product for which they divided geographically the country into three Zones.

Zone I included Rawalpindi/Islamabad/Kashmir/NWFP/ Jhelum while Zone II consisted of remaining cities of Punjab whereas Sind & Baluchistan were included in Zone III. The management of Salus Pharmaceutical decided to start sales operation from Zone I and hired third party to market Salxone in Zone II. While Zone III was not operational. Surgeons, gynecologists and pediatricians were the main target audience.

## 2.2 Product Positioning

Salxone to be used in General surgery as well as prophylactically in surgery. It could be used in referred cases of unhealed wounds and causative pathogens were Staph and Pseudomonas. Beside this it could be used in gynecological post surgical procedures, C-sections and pelvic inflammatory disease. Moreover, it could be used in treating pediatric cases of Pneumonia and Meningitis and general physicians could also use for treatment of Pneumonia.

## 2.3 Market Competitors

In 1998, Claforan (Cefotaxime) from Hoechst was the leading brand in 3<sup>rd</sup> generation Cephalosporin. But still almost 10 different brands were introduced in the market. Roche Laboratories was promoting

Rociphin (Ceftriaxone) aggressively and giving tough time to Claforan of Hoechst. In this way, Ceftriaxone became the emerging generic due to aggressive promotion by Roche Laboratories and was considered to be better salt due to more safety and efficacy especially against anaerobic infection.

## 3. Discussion

### 3.1 First Launch of Salxone

Keeping in view the market competition, Salus Pharma launched Salxone as: Salxone 1 gm of Rs.421/-, Salxone 500 mg of Rs 216/- and Salxone 250 mg of Rs 129/- which were 25% less costly than the brand leader Rociphin by Roche Laboratories. This proved to be the biggest competitive advantage of Salxone over Rociphin. The initial success was tremendous for Salus Pharmaceuticals and they achieved the breakeven points after first year of its launch. This surprised many financial experts. The main reasons for this achievement were 25 % maximum retail price (MRP) less than brand leader Rociphin. Prescribers were convinced that the efficacy and other profile of Salxone were as good as of Rociphin. Moreover, Salus Pharmaceuticals had only one product and was their total assets, both financially

and reputation wise so the company focused well over it.

In 1999, import of 37 generics were suddenly banned by Ministry of Health. Of which, Ceftriaxone was one of them and subsequently Salxone was also banned. However Ministry of health allowed to sale the available stocks. Salus Pharmaceutical tried to resolve the issue but it went in vain and consequently, the company went to court and was allowed to import Salxone injection from Thailand. As one year passed in litigation and due to unavailability of Salxone, prescribers shifted to other cheaper locally available brands of ceftriaxone. As a result, the sale of Salxone became negligible and the well trained sales and market team left the company and joined other companies. The company was under massive crisis.

### **3.2 Second Launch of Saloxone**

In 2000, the company decided to revive itself and re-launched Salxone injection adapting new strategy. As per the new strategy they divided the country into two Zones instead of three. Zone I included Rawalpindi/ Abbotabad/ Kashmir and Jhelum while Zone II consisted of rest of the country. Company's own sales team worked in Zone I while 7 different distributors were

selected and given marketing rights under the supervision of management of Salus pharmaceuticals. Furthermore, the price was reduced to Salxone 1 gm of Rs.390/-, Salxone 500 mg of Rs.200/- and Salxone 250 mg of Rs.120/-. Fortunately, the company achieved breakeven within one year of its relaunching with only one product. But unfortunately they could not get any other product registered. Salus pharmaceutical followed the same strategy from 2001 till 2013, with little modification in expanding the area of working.

The exchange rate of US\$ crossed Rs.100/ in 2010, after which the import was not feasible for Salus pharmaceuticals. The promotional activities and cost of human resource became very high. Although, the company negotiated with LBS Thailand and in turn the cost and freight (C&F) of Salxone was reduced upto 25%. But in 2010, LBS refused to accommodate further. The company tried to manage the situation by increasing sales, lowering operation cost, adding some more areas but every activity had a cost and was not manageable. In addition, the employee's turnover further jolted the company, so, finally in 2012, Salus Pharma decided to shut down its operation.

### 3.3 Third Launch of Saloxone

As the company was about to close one of the member of management suggested to transfer Saloxone registration from import to local. The company decided to give another shot and managed to transfer the registration of Salxone from import to local. Their manufacturer was Warafana Pharmaceuticals this time who had state of the art manufacturing facility, especially in Cephalosporin. Thus, Saloxone was launched third time in the market. The company reviewed the market carefully and observed more than 60 registered brands of ceftriaxone. The prices of cephalosporin were less and fixed. Ceftriaxone Sodium was the most popular generic while Oxidil (Ceftriaxone Sodium) from Sami Pharmaceuticals was giving tough competition to Rociphin. The sale of 250 mg Ceftriaxone was no more profitable. Prescribers preferred 500 mg ceftriaxone instead of 250 mg due to development of resistant strains against it. After reviewing the whole scenario Salus Pharmaceutical adapted more careful and comprehensive approach for launching Saloxone for the third time. They assessed the efficacy of locally manufactured products and the response of prescribers towards them especially the products of Warafana

pharmaceuticals. After getting satisfactory response they redesigned the operational strategy, but unfortunately the registration awarded to Salus Pharmaceuticals in local manufacturing was only for one year as Drug Regulatory Authority of Pakistan (DRAP) did not have clear policy at that time. Subsequently, the company had to stop their operation in 2015.

### 3.4 Fourth Launch of Saloxone

DRAP announced new policy for such products in 2015. Salus Pharmaceuticals applied again for renewal of registration of Salxone and received renewal of registration for next 5 years i.e. till 2020. The company decided to launch Saloxone for the fourth time in November, 2015. The main features for their new operational policy included reduced price of Salxone 1 gm of Rs.290/- per injection, Salxone 500 mg of Rs.170/- per injection and Salxone 250 mg of Rs.110/-.For marketing activities, instead of hiring and retaining their own team, this time the company decided to opted for outsourcing, After extensive efforts, the company appointed national distributor in Lahore and authorized them to perform marketing activities, programs and procedures independently. But third party has to seek prior approval for any

plan/program. Furthermore, the company also hired the services of a consultant for coordination between Warafana and third party, in the procurements of stocks, for monitoring the promotional activities, training sales and marketing staff of third party, reviewing allocated targets are met and monitoring of any unethical practice, especially if third party promote Salxone in off label indication. The product is well perceived in the market and the company is in profit again.

#### 4. Conclusion

The case study is a good example of success story of local pharmaceutical companies in Pakistan. The case study highlights the resilience, determination and sound market strategies adapted by Salus Pharmaceuticals which made the company a success story. Moreover, compliance with policies and regulations is another feather in the cap for the company. The case study also depicts a very good picture of locally manufactured products with the quality comparable to that of multinational products in Pakistan. The remarkable sale of Saloxone even after so many re-launch shows the acceptance and confidence of prescribers over locally manufactured medicines. Beside this, the profit margin for local manufacturing is

reasonable, which strengthen the local pharmaceutical industry in Pakistan. Thus, the local Pharma Industry must continue its efforts to provide quality and affordable products and must be ready to respond and resilient when needed.

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