

## **Research on Marketing Strategies for Pharmaceutical Distributors**

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### **Abstract**

Under the impact of the second-generation national health insurance, pharmaceutical distributors face significant survival pressures. Given that pharmaceutical distributors have shifted from a B2B (business-to-business) model to a B2C (business-to-consumer) model, the importance of marketing strategies is undeniable, and the content and combination of these strategies warrant further investigation. This study focuses on the key customer groups of pharmaceutical distributors in a B2C context and employs the Analytic Hierarchy Process (AHP) for analysis. The research aims to: 1) Identify key factors in marketing strategies using the 4P framework; 2) Develop the relative importance of the 4P dimensions using AHP; 3) Provide pharmaceutical distributors with a marketing mix based on the findings. The results reveal that the 'Product' dimension has more influence than the other dimensions (Price, Place, and Promotion). Within the Product dimension, 'Brand Value' is of utmost importance, 'High Value Advantage' is most crucial in the Price dimension, 'Convenience of Access' ranks highest in the Place dimension, and 'Development of Advantageous Promotional Combinations' is most significant in the Promotion dimension.

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**Keywords:** Pharmaceutical Distributors, Marketing Strategies, Marketing Mix, Analytic Hierarchy Process (AHP).

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# 1. Introduction

## 1.1 Research Background and Motivation

Pharmaceutical distributors serve as crucial intermediaries between drug manufacturers and retail outlets, primarily responsible for the sales, promotion, logistics, and distribution of medications. They do not produce drugs themselves but ensure that pharmaceuticals are delivered safely and efficiently from the production site to consumers. This responsibility includes inventory management, transportation planning, and regulatory compliance, ensuring product quality and safety. Additionally, distributors perform market research to understand demand trends and offer customer support, thus acting as a bridge between manufacturers and the market.

However, recent years have seen significant changes in the pharmaceutical market environment due to the implementation of the second-generation National Health Insurance (NHI) system, which has profoundly impacted the operating models of pharmaceutical distributors. Traditionally focused on a B2B (business-to-business) approach, distributors now face the challenge of transitioning to a B2C (business-to-consumer) model. This transformation not only implies a major shift in business strategies but also forces distributors to rethink their market positioning and marketing strategies. In this context, exploring effective marketing strategies for pharmaceutical distributors under the B2C business model, particularly by applying the 4Ps (Product, Price, Place, Promotion) marketing mix framework, becomes an urgent and important research topic.

Marketing is the concept of conducting business by meeting the needs and wants of partners, generating profits for business growth, and enhancing job satisfaction for employees (Liu et al., 2019). Developing a marketing mix is necessary to foster partner cooperation motivation and maintain product quality and quantity. This tool determines the success level of marketing, comprising elements such as Product, Price, Place, and Promotion (Ahmad et al., 2020; Firman et al., 2020). In product marketing, it is essential to sell the essence of the product, including the benefits, uses, or important services desired by partners. The company's pricing aims to generate revenue from sales and reflects market demand. When pricing their products, companies must consider market conditions and the quality of goods for sale (Cao et al., 2003). Promotion is a crucial activity for companies, utilizing advertising, personal sales, and public relations. All elements of the marketing mix must align with the company's financial resources (Valkenburg & Buijzen, 2005; Camisón-Haba et al., 2019).

The marketing mix strategy, known as the 4Ps, concerns product, price, place, and promotion. Organizations focus on two main strategic processes when developing a marketing mix. The first process is selecting the market the organization aims to enter, and the second is developing solutions that combine all dimensions of the marketing mix (e.g., pricing, distribution channels, products, and promotions) to satisfy customers (Nuseir & Madanat, 2015).

Considering the pressures and challenges faced by pharmaceutical distributors under the second-generation NHI system, coupled with the rise of online information and increased health awareness, consumers now have a more proactive and diverse approach to medication needs and choices. This shift requires distributors to precisely identify their target audience and develop products, services, and innovative marketing strategies that align with consumer needs. This study aims to explore and analyze the marketing strategies that pharmaceutical distributors can adopt in their transformation process. Specifically, this research seeks to identify and evaluate the key marketing strategy factors under the 4P framework (Product, Price, Place, Promotion) for critical B2C customer groups of pharmaceutical distributors and apply the Analytic Hierarchy Process (AHP) to determine the relative importance of these factors. This approach not only helps distributors better understand market demands but also provides an empirically based framework to optimize their marketing mix strategies.

## **1.2 Research Objectives**

This study aims to conduct an in-depth analysis of critical B2C customer groups for pharmaceutical distributors, using the Analytic Hierarchy Process (AHP) to assess the relative importance of each strategic element within the 4P framework, ultimately developing an optimal marketing strategy mix for these companies. The primary objectives of this research include:

1. To summarize and analyze the key marketing factors influencing the B2C market performance of pharmaceutical distributors.
2. To evaluate the relative importance of each component within the 4P framework through AHP analysis.
3. To provide a practical marketing strategy mix, based on empirical analysis, to assist pharmaceutical distributors in gaining a competitive advantage in the increasingly competitive market.

Through this research, pharmaceutical distributors can receive practical marketing strategy recommendations, while academia gains fresh perspectives and data contributions to related fields.

## **2. Literature Review**

### **2.1 Pharmaceutical Marketing**

#### **2.1.1 Basic Definition of Pharmaceutical Marketing**

Pharmaceutical marketing is a specialized area of drug management that encompasses broad market promotion targeting healthcare professionals, pharmacists, and general consumers. Pharmaceuticals refer to any medications or biologics that require prescription or the guidance of a medical professional, regardless of patent or brand status, and are used for diagnosing, treating, or preventing human diseases or influencing bodily structure or function. Marketing refers to various promotional activities for pharmaceutical products directed at healthcare personnel. These activities may be conducted, organized, or sponsored directly by companies and include various methods of communication to promote, supply, or guide the use of specific products.

#### **2.1.2 Marketing Mix in Pharmaceutical Marketing**

According to Lim (2021), pharmaceutical marketing involves core elements of the marketing mix, including ten controllable market variables—the "10 Ps." This framework includes McCarthy's original four Ps: Product, Price, Place, and Promotion. Booms and Bitner (1981) later expanded it with three additional Ps: People, Process, and Physical Evidence, capturing the service characteristics. Additionally, Lim (2021) introduced three new Ps—Packaging, Partnership, and Policy—to better address the integrated nature of pharmaceutical marketing. This business-centered approach integrates market segmentation within the business environment to meet the needs of customers (or patients) and stakeholders. This classification encourages and facilitates integrated care engagement and market decisions among hospitals, healthcare providers, and their target customers and stakeholders.

Process is another critical aspect of pharmaceutical marketing, linking marketing activities to deliver healthcare and social care services efficiently and effectively, including follow-ups. This process streamlines the role of intermediaries in pharmaceutical companies. In the healthcare industry, partnerships involve experts and organizations working together to supply, manage, and coordinate health and social care solutions for high-quality medical care. Collaboration agreements allow independent providers to pool resources and provide better care options. The cost-effectiveness and added value from collaboration can also create a snowball effect, incentivizing the formation of additional partnerships.

Pharmaceutical marketers need to regularly and continuously review physicians' prescribing behaviors to devise effective profit strategies. Given the intense competition within the pharmaceutical industry, prescribing patterns often change quickly. A physician's preference for a specific company may not only lead them to try that company's products but may also increase their favorability towards them (Rajput & Pandey, 2022).

## **2.2 Marketing Management and Marketing Mix**

The concept of the marketing mix originates from the microeconomic focus on the single factor of "Price" (Chong, 2003). McCarthy (1964) further developed this idea, presenting the well-known "4Ps" marketing mix model, which has since served as a framework for translating marketing strategies into practice (Bennett, 1997). It is important to note that the marketing mix is not a scientific theory but rather a conceptual framework designed to guide managers in making key decisions in product configuration to meet consumer needs.

The four Ps of marketing are summarized as follows: Product refers to the item or service marketed, where quality, benefits, and quantity allow companies to deliver high-quality offerings. Price involves setting competitive prices and includes considerations such as product bundling, variations, and payment methods. Place refers to the location and availability of products or services for customers, involving distribution channels to ensure consumer accessibility. Promotion encompasses marketing communication through personal selling, advertising, direct marketing, public relations, sales promotion, and sponsorship, allowing companies to communicate their product features to consumers.

The 4Ps framework divides marketing management into four distinct and clear processes. While many businesses aim to integrate these dimensions comprehensively, in practice, the tasks of developing and implementing these policies are often distributed across various departments and personnel within an organization. Customers may experience the independent impact of each "P" in different contexts, times, and channels, even if companies strive for complete internal marketing integration. However, Rafiq & Ahmed (1995) reported substantial dissatisfaction with the 4Ps framework. These findings support the proposal by Booms & Bitner (1981) to replace McCarthy's 4Ps with the 7Ps framework as a more comprehensive marketing mix for the service industry. The development of the marketing mix has attracted considerable attention from both academia and industry, particularly regarding modifications to the 4Ps framework in service marketing. Despite significant criticism of the 4Ps model, it remains highly relevant for introductory marketing and consumer marketing.

### 3. Research Design

#### 3.1 Research Framework

This section explores the research on "Marketing Strategies of Pharmaceutical Distributors." Based on the definitions of pharmaceutical marketing and the concepts, definitions, and critiques of the marketing mix, this study adopts a case study method with empirical analysis, utilizing secondary data collection and research. By analyzing service contexts from multiple perspectives, this research applies the 4P marketing framework, examining four main elements: "Product," "Price," "Place," and "Promotion." Secondary dimensions under these elements include "Product Diversity," "Brand Value," "Low-Price Advantage," "High-Value Advantage," "Convenient Access," "Shopping Unrestricted by Time and Space," "Advantageous Promotional Mix," and "Social Media Promotion." The research framework is illustrated in Figure 1.

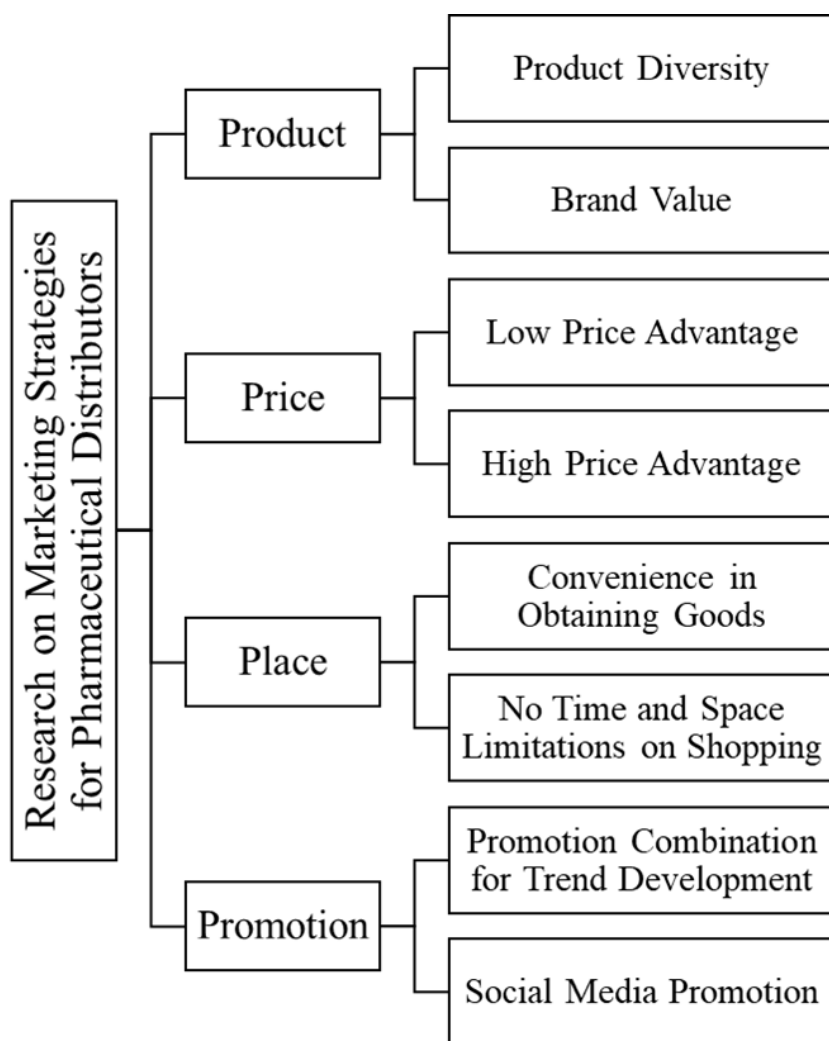


Figure 1: Research Framework

## **3.2 Research Subjects**

The core customers of the case company serve as the research subjects, as detailed below.

### **3.2.1 Case Overview**

Established in July 1982 in Kaohsiung, the company has spent 42 years dedicated to promoting the pursuit of beauty and health, positioning itself as a well-known distributor in the pharmaceutical industry. The company primarily distributes pharmaceuticals from original manufacturers across Asia, Europe, and the United States, as well as products from leading domestic pharmaceutical firms. It has established solid relationships with key opinion leaders in major hospitals, developed a robust product launch capability, and employs a team of well-trained sales representatives with excellent product development and customer management capabilities.

### **3.2.2 AHP Questionnaire Recipients**

This study selects consumers who have a foundational understanding, high usage, and frequent interaction with the case company as the recipients of the questionnaire. The purpose is to measure the "hierarchical structure of critical success factors in marketing strategies for pharmaceutical distributors," specifically the weight calculation for each key influencing factor. A total of 13 AHP questionnaires were distributed in this study.

### **3.2.3 AHP Questionnaire Design**

1. **Questionnaire Design:** Based on the case's critical success factors, the study constructs a preliminary hierarchical structure for the "Key Factors in Marketing Strategies of Pharmaceutical Distributors." After analysis and revisions, a finalized hierarchical structure is established.
2. **Questionnaire Distribution:** The questionnaires were administered to the selected respondents as listed above.
3. **Questionnaire Collection:** The collected questionnaire data were processed using Expert Choice 2000 decision support software to calculate the weight of each factor.

## 4. Research Results

### 4.1 Data Collection and Analysis

The study's research subjects consist of the top 20% of customers of a pharmaceutical distributor, selected based on purchase volume, purchase frequency, and total purchase amount. After confirming their willingness to participate, a total of 15 respondents were invited to complete the questionnaire. The questionnaires were distributed with a one-week response deadline, and a total of 13 valid responses were returned, resulting in an effective response rate of 86.67%.

### 4.2 Empirical AHP Analysis of Pharmaceutical Distributors' Marketing Strategies

Following verification, an Analytical Hierarchy Process (AHP) was conducted to calculate the relative local weights and overall weights for the "Pharmaceutical Distributors' Marketing Strategies." Based on these calculations, the main dimensions were ranked as follows Table 1:

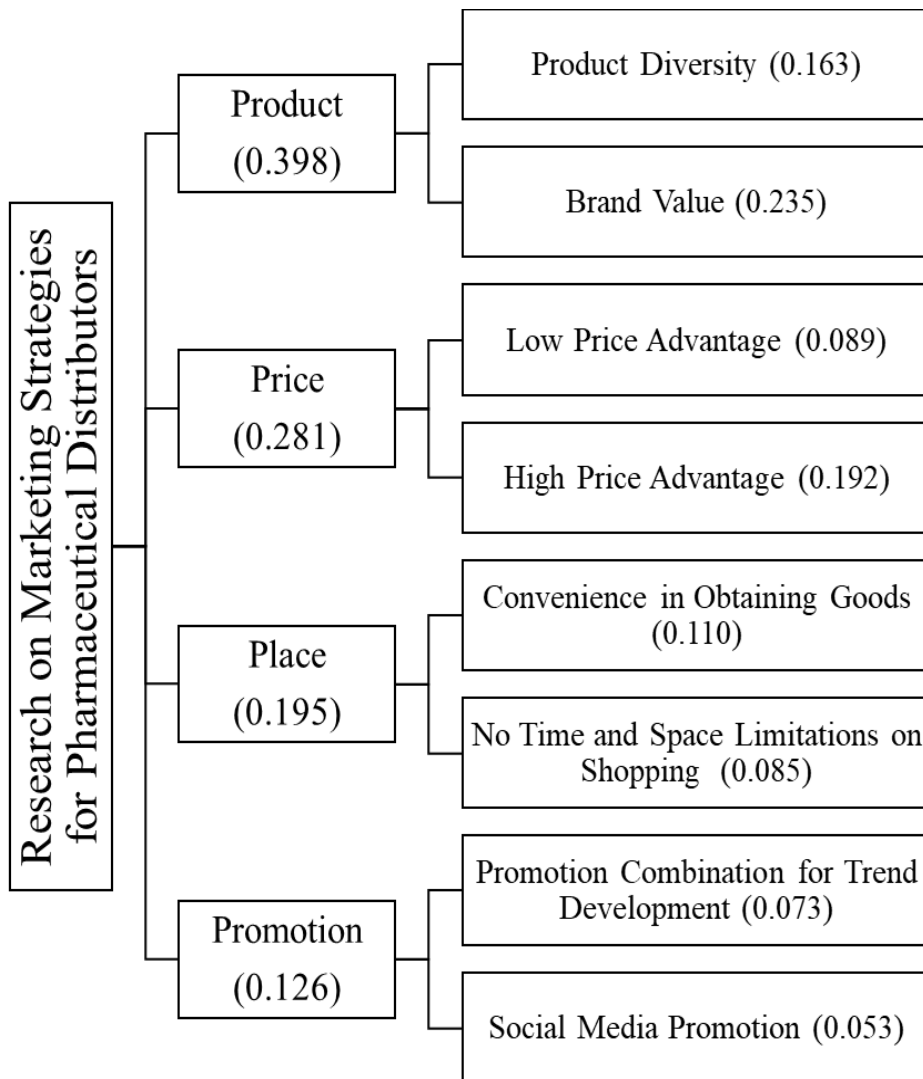
**Table 1: AHP Analysis Results of Pharmaceutical Distributor Marketing Strategy**

Dimension	Primary Dimension	Level Weight	Secondary Dimension	Local Weight	Overall Weight	Level Ranking	Overall Ranking
Research on Marketing Strategies for Pharmaceutical Distributors	Product	0.398	Product Diversity	0.4095	0.163	7	3
			Brand Value	0.5905	0.235	2	1
	Price	0.281	Low Price Advantage	0.3167	0.089	8	5
			High Price Advantage	0.6833	0.192	1	2
	Place	0.195	Convenience in Obtaining Goods	0.5641	0.110	4	4
			No Time and Space Limitations on Shopping	0.4359	0.085	5	6
	Promotion	0.126	Promotion Combination for Trend Development	0.5794	0.073	3	7
			Social Media Promotion	0.4206	0.053	6	8

Data source: summarized by this study



"Product" was identified as the most significant factor, with a primary weight of 0.398; "Price" ranked second, with a weight of 0.281; "Place" ranked third, with a weight of 0.195; and finally, "Promotion" ranked fourth, with a weight of 0.126, as shown in Figure 2. The results indicate that among the main factors, "Product" is considered the most critical, followed by "Price." The overall consistency ratio (C.R) was  $\leq 0.1$ , indicating a high level of consistency in the analysis and matrix consistency. These results suggest that product-related dimensions are a primary focus in the marketing strategies of pharmaceutical distributors, followed by pricing considerations.



**Figure 2: Weight Distribution of Key Components in Pharmaceutical Distributor Marketing Strategy**

Data source: summarized by this study

#### **4.2.1 Product and Its Evaluation Criteria**

Among the sub-criteria for "Product," AHP analysis identified "Brand Value" as the most important, with a sub-weight of 0.235, followed by "Product Diversity" with a sub-weight of 0.163. "Brand Value" refers to the perceived importance and worth of a brand in the minds of consumers, including brand awareness, brand image, customer loyalty, market share, and attractiveness to the target market. Brand value influences consumers' purchasing decisions and affects the company's long-term strategic planning. High brand value can provide the company with a competitive edge, allowing for premium pricing and enhancing customer loyalty, thereby increasing profitability and market competitiveness.

#### **4.2.2 Price and Its Evaluation Criteria**

For the "Price" category, AHP analysis showed that "High-Value Advantage" is the most critical sub-factor, with a weight of 0.192, followed by "Low-Price Advantage," with a weight of 0.089. "High-Value Advantage" refers to the ability to justify higher product prices by offering added value that convinces consumers of its worth. This could include high-quality materials, innovative design, limited editions, or superior craftsmanship, which enhances product durability and appeal. Providing comprehensive customer service, warranties, and support further enhances the perceived value, justifying the premium pricing.

#### **4.2.3 Place and Its Evaluation Criteria**

In the "Place" category, AHP analysis identified "Convenient Access" as the most important criterion, with a sub-weight of 0.110, followed by "Shopping Unrestricted by Time and Space," with a sub-weight of 0.085. "Convenient Access" emphasizes ease of obtaining products, whether through in-store pickup, home delivery, convenience store pick-up, or smart lockers. This concept is essential in both online and physical retail settings, particularly in fast-paced modern retail environments. For instance, offering convenience store pick-up options for online purchases allows consumers to choose a nearby location for pick-up, providing flexibility and reducing wait times for delivery.

#### **4.2.4 Promotion and Its Evaluation Criteria**

In the "Promotion" category, the AHP analysis revealed that "Development of Advantageous Promotional Mix" is the most significant criterion, with a weight of 0.073, followed by "Social Media Promotion," with a weight of 0.053. The "Development of Advantageous Promotional Mix" involves utilizing a range of strategies and tools—such as market research, product positioning, promotion tool selection, and integrated marketing communications—to achieve sales objectives and build brand awareness. An effective promotional mix not only attracts new customers but also keeps existing customers engaged and loyal to the brand.

## 5. Conclusion and Recommendations

### 5.1 Conclusion and Research Propositions

#### 5.1.1 Conclusion

Pharmaceutical distributors serve as intermediaries between manufacturers and the retail sector, ensuring the quality and safety of medicines while facilitating the smooth and timely delivery of pharmaceuticals from production to consumers. This role is essential for safeguarding public health. However, the implementation of Taiwan's second-generation National Health Insurance (NHI) has forced pharmaceutical distributors to adapt, shifting from a B2B to a B2C model and re-evaluating their marketing strategies. The contribution of this study extends beyond providing insights into pharmaceutical distributors' marketing strategies; it also serves as a reference for those currently in the industry, helping them better understand consumer demands, improve overall service, enhance business performance, and increase the success rate of new service developments.

#### 5.1.2 Research Propositions

This study surveyed "customers of pharmaceutical distributors" to explore "effective marketing strategies using the 4P framework" and used case analysis and Analytic Hierarchy Process (AHP) methods for measurement and verification. Based on the operational model and potential future developments for pharmaceutical distributors, the following research propositions are presented:

Proposition 1: Within the main components of the marketing strategy for pharmaceutical distributors, the "Product" component holds greater influence than the other components (Price, Place, and Promotion).

Among the primary factors in pharmaceutical distributor marketing strategies, the product is comparatively more significant. In this industry, product quality, safety, and efficacy are directly related to consumer health, and these attributes play a decisive role in the purchasing decisions of both consumers and healthcare professionals. Thus, in developing a marketing strategy, emphasizing product quality and effectively communicating these advantages to the target market should be a top priority for pharmaceutical distributors.

Proposition 2: In the "Product" component of pharmaceutical distributor marketing strategies, "Brand Value" holds the highest importance.

Brand value plays a crucial role in the product component within pharmaceutical marketing strategies, as shown in the case study. In a competitive market, brand value greatly impacts consumer trust and choice, as well as the frequency with which healthcare professionals recommend the products. Therefore, from a distributor's perspective, investing in building and maintaining strong brand value is an essential element of its marketing strategy. This involves not only positioning the brand in the market but also leveraging brand strategies to enhance overall market competitiveness.

**Proposition 3:** In the “Price” component of pharmaceutical distributor marketing strategies, “High-Value Advantage” holds the highest importance.

The high-value advantage reflects not only the economic worth of a product but also its medical significance. A high pricing strategy can raise consumer expectations of a product's efficacy, which psychologically reinforces its value. Setting a high price can target premium markets or specific consumer groups, such as those seeking the best healthcare solutions. Despite a higher price, certain pharmaceuticals, due to their superior therapeutic effects, can ultimately lower overall healthcare costs by, for example, reducing hospital stays or minimizing additional interventions.

**Proposition 4:** In the “Place” component of pharmaceutical distributor marketing strategies, “Convenience of Access” holds the highest importance.

In the case study, it was observed that the convenience of access often determines the market acceptance of a pharmaceutical product and customer satisfaction. By providing various options for obtaining products, such as in-store pickup, mail services, home delivery for online orders, or pick-up at designated locations along with fast delivery services, distributors who can quickly provide necessary medications are more likely to earn consumer trust and loyalty. This not only improves the consumer's purchasing experience but also enables the distributor to maintain or enhance market share in a highly competitive environment.

**Proposition 5:** In the “Promotion” component of pharmaceutical distributor marketing strategies, “Development of Advantageous Promotional Mix” holds the highest importance.

A well-designed promotional mix is essential for strengthening market presence, enhancing brand image, and ultimately boosting sales. Effective promotional strategies increase product visibility, stimulate sales, and strengthen consumer loyalty. By precisely targeting markets, employing multi-channel promotion strategies, assessing and optimizing promotions, and providing information and education, pharmaceutical distributors can ensure that their promotional activities not only attract target consumers but also maximize effectiveness in enhancing brand image, increasing market share, and driving sales.

## **5.2 Research Recommendations**

Current pharmaceutical distributor marketing strategies encompass numerous applications. Although this study has endeavored to rigorously investigate these strategies, limitations in time, connections, and resources have left several dimensions unexplored. Therefore, the following recommendations are offered for future researchers:

1. This study employed the 4P framework to analyze “pharmaceutical distributor marketing strategies.” Future researchers are encouraged to explore this topic from other marketing theory perspectives for a more in-depth analysis and discussion.

2. Since the primary analysis method in this study was the Analytic Hierarchy Process, future researchers may wish to incorporate innovative business models for a deeper examination of this research topic.
3. This study focused on pharmaceutical distributors, who encounter numerous unique marketing challenges, each requiring different solutions. Future researchers are encouraged to further investigate these specific challenges to advance this study's findings.

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