

Seminar 3.
Pharmaceutical environment. SWOT analysis

Main issues to be discussed at the seminar:

1. Marketing environment of the company. Definition, components of the marketing environment.
2. Classification of marketing environment factors.
3. Microenvironment of pharmaceutical marketing. Composition and subjects of the microenvironment.
4. Factors of the macroenvironment of the enterprise.
5. Methods for analyzing the marketing environment.
6. PEST , STEP - analysis of environmental factors. Porter's Five Forces Analysis.
7. Components of SWOT analysis. SWOT analysis matrix . Brainstorming (brainstorming method) in SWOT analysis.

The marketing environment of an enterprise (organization) is a set of active subjects and forces operating outside the company and influencing the ability of the management of the marketing service to establish and maintain successful cooperative relationships with target clients.

Being volatile, constraining and full of uncertainty, the marketing environment deeply affects the life of the company. The changes taking place in this environment are neither slow nor predictable. She is capable of delivering major surprises and heavy blows.

The systems approach assumes that a system is a certain integrity, which consists of individual interconnected elements, with each of them making its own contribution to the characteristics of the whole.

Marketing operates in a complex multifactorial environment. The implementation of marketing strategies and tactics may encounter unexpected market reactions and may not correspond to macroeconomic trends. The more information about the environment a company's marketing department collects, the more successfully it will be able to influence it.

The marketing environment is the active actors and factors that influence marketing opportunities and decisions.

From the point of view of the possibilities of marketing influence on the environment, **the following are distinguished:**

- ✓ **microenvironment operating** at the company level;
- ✓ **macroenvironment** , independent of the company's marketing (with the exception of a limited number of the largest transnational companies).

The internal microenvironment is absolutely controlled by the marketing service:

- ✓ Organizational structure, management.
- ✓ Financial service, accounting (marketing budget capabilities).
- ✓ Production (marketing production capacity level).
- ✓ Supply (pricing opportunities, innovations).
- ✓ Sales (sales opportunities).
- ✓ Research and development work (possibility of updating production, product range).
- ✓ Personnel.

External marketing microenvironment – regulated by the company's marketing:

- ✓ Suppliers (prices of materials, delivery mode, etc.).
- ✓ Competitors (brand strength and marketing policies of competitors, etc.).
- ✓ Intermediaries (conditions of trade, transportation, advertising, etc.).
- ✓ Consumers (purchasing power, brand loyalty, etc.).

- ✓ Contact audiences are a group of people who show real or potential interest in the company and on whom the achievement of the company's goals, image, demand, etc. depends.

The macro environment of marketing is independent of the company's marketing

- ✓ Demographic factors (natural population growth/decrease, gender and age structure of the population, migration, etc.).
- ✓ Economic factors (purchasing power of the population, interest rate on loans, unemployment rate, etc.).
- ✓ Natural-climatic, geographical and environmental factors (for example, non-renewable natural resources, rising prices for raw materials and energy cause a reorientation of production).
- ✓ Scientific and technical factors (new level of technology, speed of innovation affect the rate of depreciation and production efficiency, the price of products).
- ✓ Political factors (legislation regulating business activities in various industries and monitoring its implementation, etc.).
- ✓ Cultural factors (the degree of value for society of such concepts as honest work, marriage, family, trust in the state, etc. influence the guidelines of producers and sellers).

Environmental Analysis

This analysis should take into account a variety of health system characteristics:

- ✓ General health budget
- ✓ Price control system
- ✓ Permissive and restrictive lists
- ✓ Encouraging generic competition
- ✓ Social insurance system
- ✓ Co-payment system for drugs
- ✓ Pharmaceutical protocol system
- ✓ New entrants into the pharmaceutical sector (*care management organizations, pharmacy benefit management organizations, private insurance systems*)
- ✓ Socio-cultural level of consumers
- ✓ Political situation
- ✓ Centralized social actions of the municipality, etc.

PEST analysis or STEP analysis

This method is intended to identify the following environmental factors that, to a greater or lesser extent, affect the activities and efficiency of any commercial organization, including a pharmacy:

- ✓ political (Political),
- ✓ economic (Economic),
- ✓ social
- ✓ technological (Technological).

The analysis is performed according to the "factor - pharmacy" scheme.

The results of the analysis are presented in the form of a "matrix", the subject of which is the factors of the macroenvironment, the predicate is the strength of their influence, assessed in points, ranks and other units of measurement.

A version of PEST analysis is **PESTLE analysis** , it is extended by two factors (Legal and Environmental).

Sometimes other formats are used, for example, SLEPT analysis (plus Legal factor)

STEEPLE analysis, which includes: socio-demographic, technological, economic, environmental factors (natural), political, legal and ethnic factors .

Methods for analyzing the external environment (PEST analysis or STEP analysis).

Examples of political factors

- ✓ Changes in the legislation of the Russian Federation: adoption of a new version or additions/amendments to laws and regulations governing the circulation of medicines, protection of consumer rights, approval and revision of lists of vital and essential medicines, etc.
- ✓ State regulation in the industry
- ✓ State regulation of competition
- ✓ Changes in regional legislation

Examples of social factors

- ✓ Changes in Core Values
- ✓ Changes in style and standard of living
- ✓ Attitude to work and rest
- ✓ Demographic changes
- ✓ Religious factors
- ✓ Media influence

Examples of technological factors

- ✓ trends in research and development worknew drugs
- ✓ new drugs
- ✓ parapharmaceutical products, etc.
- ✓ technology development

The second most common **method for analyzing the influence of environmental factors** in modern entrepreneurship is **Porter's five forces analysis**.

The consolidation of pharmacy chains, as a result of which the pharmacy itself can act as a product, makes it possible to use this type of analysis, although it was originally created for other business models.

Porter's Five Forces include:

- ✓ analysis of the threat of the emergence of substitute products (in relation to pharmacy - new types of pharmacies, for example, the sale of drugs and parapharmaceuticals via the Internet);
- ✓ analysis of the threat of new players;
- ✓ supplier market analysis;
- ✓ consumer market analysis;
- ✓ analysis of the level of competition.

As a result of the analysis, the attractiveness of doing business in a given industry is revealed; in this context, attractiveness means the profitability of the industry.

An “unattractive” industry is one in which a combination of forces reduces profitability. The most “unattractive” industry is one that approaches perfect competition

Porter's Five Forces Analysis includes:

- ✓ three forces of “horizontal” competition: the threat of the emergence of substitute products (online pharmacies), the threat of the emergence of new players, the level of competition;
- ✓ two forces of “vertical” competition: the bargaining power of suppliers and the bargaining power of consumers.

SWOT analysis

To analyze the competitive position of a company in the market, it is necessary to assess how ready the organization is for effective activities in the field of product quality and competitiveness. In order to get a clear assessment of the company's strengths and the market situation, a SWOT analysis is carried out.

The acronym SWOT was first coined in 1963 at Harvard Business Policy Conference by Professor *Kenneth Andrews*. In 1965, four Harvard University professors (*Lerner, Christensen, Andrews and Guth*) proposed a technology for using the SWOT model to develop a firm's behavioral strategy.

SWOT analysis is a strategic planning method used to assess internal and external factors and phenomena that influence the organization.

According to this model, all factors are divided into four categories:

- ✓ Strengths (strengths),
- ✓ Weaknesses (weaknesses),
- ✓ Opportunities
- ✓ Threats (threats).

The SWOT analysis methodology assumes:

first, identifying the firm's internal strengths and weaknesses, as well as external opportunities and threats;

secondly, establishing connections between them.

Components of SWOT analysis

Analysis of the internal potential of a pharmacy organization makes it possible to determine its strengths and weaknesses in business and assess their relationship with environmental factors.

Organizational strengths represent the strengths and advantages that set a pharmacy apart from its competitors.

Weaknesses are shortcomings of the pharmacy that need to be corrected so that competitors cannot use them as their advantages.

As with the external environment, analysis of the internal environment can be divided into qualitative and quantitative.

The main analyzed objects of analysis and subsequent impact are usually included:

- ✓ staff,
- ✓ goods for the formation of product or assortment policy
- ✓ image of the organization.

Analysis of the internal environment of the organization

The internal environment is permeated and shaped by the organizational culture conventionally established in a given organization.

Organizational culture can contribute to the fact that the organization is a strong structure that can sustainably survive in the competitive struggle.

In the conditions of increasing competition, not a single pharmacy organization, no matter what investment opportunities are behind it, can do without the formation of a competent assortment and product policy, and a well-formed image of a pharmacy will help not only expand the consumer staff, but also consolidate a loyal attitude towards the pharmacy organization.

External analysis

The external environment consists of:

- ✓ microenvironment formed by forces directly affecting the organization itself and its ability to meet consumer demands (that is, suppliers, distributors, competitors, consumers themselves);

✓ macroenvironment formed by forces uncontrollable by the organization, that is, demographic, economic, legal, cultural, natural and scientific and technical factors of the environment.

The main task of external analysis is to identify and understand the opportunities and threats that may exist in the present or arise for the pharmacy organization in the future.

Ultimately, a SWOT analysis helps answer the following *questions* :

Does the company use internal strengths or differentiating advantages in its strategy? If a company does not have a differentiating advantage, what are its potential strengths that could become one?

Are the company's weaknesses its competitive vulnerabilities and/or do they prevent it from taking advantage of certain favorable circumstances? What weaknesses require adjustment based on strategic considerations?

Classic SWOT analysis involves identifying the strengths and weaknesses in a company's activities, potential external threats and opportunities and evaluating them in points relative to industry averages or in relation to data from strategically important competitors.

The final presentation of information when conducting a SWOT analysis is the compilation of tables of strengths in the company's activities (S), its weaknesses (W), potential favorable opportunities (O) and external threats (T) - the SWOT analysis matrix

On the left there are two sections - strengths and weaknesses identified based on the results of the compilation.

At the top of the matrix there are two sections - **opportunities and threats** .

At the intersection of the sections, four fields are formed, for which all possible pair combinations should be considered and those that should be taken into account when developing the company's marketing strategy should be highlighted.

The strengths of a pharmacy organization are what it excels at or some feature that provides additional opportunities.

For example, existing experience, the availability of modern commercial equipment, highly qualified personnel, a wide range of medicines and medical products, a flexible pricing policy, the ability to quickly order and receive goods, long-term contacts with distributors and manufacturers of medicines, etc.

SWOT analysis matrix for a pharmacy organization

The weaknesses of a pharmacy organization are the absence of something important for the functioning of the organization or something in which the pharmacy is currently inferior to competitors.

Examples : a narrow range of medicines and medical products, low level of service, insufficient qualifications of personnel, ineffective inventory management system, underdeveloped system for collecting marketing information, cost-based pricing principle, etc.

Most of the information necessary for conducting a SWOT analysis is already available, including reports from accounting departments, departments, employee survey results, etc. It is best to involve several key pharmacy employees in the collection and analysis of this information, since it is easy to miss any important detail.

As for information about changes in such a factor of the organization's external environment as the industry market, it is usually obtained using specialized sources. This is dictated primarily by economic considerations, since not every organization can afford to maintain a staff of financial and consulting analysts, and it is often easier to buy information of this nature.

Analysis algorithm

1). Determining the strengths and weaknesses of a pharmacy organization

draw up a list of parameters by which the enterprise will be assessed;

for each parameter, determine what is the strength of the organization and what is the weakness;

from the entire list, select the most important strengths and weaknesses and enter them into the SWOT analysis matrix.

To evaluate a pharmacy, you can use the following list of parameters:

Organization (the level of qualifications of employees, their interest in the development of the organization, the level of management, etc. can be assessed).

Finance (the financial stability of the organization, profitability, etc. are assessed).

Innovation (attention is drawn to the number of promising new products in the pharmacy's assortment, the introduction of modern forms of trade (open access), the efficiency of new departments (homeopathic, herbal medicine, aromatherapy, medical equipment department, orthopedics, etc.), payback periods for funds invested in opening new departments, etc.).

Marketing actions (take into account the completeness of the assortment, the price level, the effectiveness of advertising events, the reputation of the organization, the range of additional services offered, etc.).

After compiling Table 1, from the list of advantages and disadvantages, 5-8 of the most important parameters are selected that can be influenced with maximum efficiency.

An analysis matrix is compiled.

2). Identifying market opportunities and threats

The method for determining market opportunities and threats is almost identical to the method for determining the strengths and weaknesses of a pharmacy organization:

a list of parameters should be compiled by which the market situation will be assessed;

for each parameter it is determined what can become an opportunity and what can become a threat to the organization;

The most important opportunities and threats are selected from the entire list and entered into the SWOT analysis matrix.

Typically, market opportunities are assessed based on the following factors:

1. Demand factors (it is advisable to take into account the market capacity, the rate of its growth or contraction, the structure of demand for pharmaceutical products, etc.).

2. Factors of competition (the number of main competitors, their location, forms of trade of competitors, their activity, etc. should be taken into account).

3. Economic factors (exchange rate, inflation rate, changes in the level of income of the population, state tax policy, etc.).

4. Socio-demographic factors (size and age-sex structure of the population, location of the pharmacy, social status of the population, etc.).

As in the first point, it is advisable to reflect the factors for assessing market opportunities and risks in a summary table.

After filling out Table 2, as in the first case, you need to select the most important ones from the entire list of opportunities and threats. To do this, each opportunity (or threat) must be assessed according to two parameters: "How likely is it that this will happen?" and "How much impact will this have on the business?" You should select those events that are likely to occur and will have a significant impact on the profitability of the pharmacy. Enter these 5-10 opportunities and approximately the same number of threats into the corresponding cells of the matrix.

So, the SWOT analysis matrix is completed. However, that's not all. You need to take the final step and compare the pharmacy organization's existing strengths and weaknesses with market opportunities and threats.

3). Comparing the organization's strengths and weaknesses with market opportunities and threats.

Such a comparison will help answer the following questions regarding further business development:

1. How can you take advantage of opportunities by leveraging pharmacy's strengths?
2. What weaknesses of the pharmacy can prevent this?
3. What strengths can be used to neutralize existing threats?
4. What threats, compounded by pharmacy weaknesses, should we be most concerned about?

Limitations of SWOT analysis: 1. SWOT analysis is only a tool for structuring existing information; it does not provide clear and clearly formulated recommendations or specific answers. It only helps to visualize the main factors, as well as to estimate, as a first approximation, the mathematical expectation of certain events. Formulating recommendations based on this information is the job of the analyst.

2. **The simplicity of SWOT analysis is deceptive; its results are highly dependent on the completeness and quality of the source information.** Conducting a SWOT analysis requires either experts with a very deep understanding of the current state and trends of the market, or a very large amount of work in collecting and analyzing primary information to achieve this understanding.

3. **Errors made during the formation of the table** (inclusion of unnecessary factors or loss of important ones, incorrect assessment of weighting coefficients and mutual influence) **cannot be identified in the process of further analysis (except for very obvious ones) - they will lead to incorrect conclusions and erroneous strategic decisions.** In addition, the interpretation of the resulting model, and therefore the quality of the conclusions and recommendations, highly depend on the qualifications of the experts conducting the SWOT analysis.

The concept of BRAINSTORING (brainstorming method)

Brainstorming method translated from English means "brain attack method", or brainstorming method. This is a quick way to solve problems that involves teamwork aimed at generating the maximum number of ideas in a short period of time.

Moreover, ideas can be anything, even the most illogical, fantastic or stupid. Upon completion of such collective work, the most successful solutions are selected that can be applied in practice.

Advantages of the method

Research has revealed that collective idea generation is much more effective than individual generation. With proper use of brainstorming, the number of creative solutions is many times greater than the number of ideas that one person could come up with.

There is an opinion that the brainstorming technique works best in the field of marketing and advertising. This is wrong. The method can be used in absolutely any field, be it scientific activity or everyday life. If you need to quickly find a way out of some current situation, the brainstorming method will come in handy.

In addition to efficiency, the method perfectly unites the work team. After such an event, each team member feels involved in a great cause, common topics for discussion and funny stories appear, as a result, motivation and desire to work increase.

Stages and technique

The brainstorming method can be carried out in two versions: organized and uncontrolled. The second, as a rule, is used when all ideas have already been exhausted and you need to quickly come up with something brilliant and crazy.

However, uncontrolled brainstorming always runs the risk of turning into idle chatter. That is why **an organized method is preferable**, which is usually divided into three main stages.

Stage 1. Statement of the problem

Stage 2. Generating ideas

Stage 3. Grouping, evaluation and selection

Basic Rules

Organized brainstorming has not only a structure, but also important rules, the observance of which will largely determine the success of the entire event:

Preparation. One of the most common mistakes participants make is showing up to a brainstorming session unprepared. Despite the fact that the first stage of the method involves setting a task, in fact it is announced 2-3 days before the event. In order not to waste a lot of time studying the details of the issue at the time of implementation, you need to do this in advance.

No criticism or encouragement.

It's better to write down ideas. According to various studies, writing can generate 20% more ideas and 40% more original solutions compared to traditional verbal brainstorming. This can be organized in different ways: choose one person who will record everything that the participants voice, or give each idea generator the opportunity to record their thoughts. Not only verbal notes are welcome, but also tables, drawings, pictures, diagrams, etc.

The more ideas, the better. Solutions must be generated throughout the second stage, which is designated specifically for this. Each participant must understand that it is important to come up with as many different ideas as possible, even those that seem trivial or unrealistic. More often than not, it is the wildest thoughts that become brilliant discoveries.

Report generation and protection. Upon completion, each participant will have to choose the most viable ideas from all the ideas voiced and think through a small plan for defending them in front of the team.

Brainstorm moderator

Often, the success of an event depends on the leader (moderator) of brainstorming, on his professionalism and control over participants' compliance with the rules of conduct and the organization of the process itself.

What are the main functions of a moderator:

Motivation before discussion. The team must imagine what work it has to do and what contribution it will make to the development of the company as a whole.

Regulation of the process of generating ideas. The moderator makes sure that the brainstorming does not turn into a farce where everyone is trying to out-shout the others. He gives the floor to each participant in turn, encourages those who are not afraid to speak out, tactfully and strictly suppresses attempts at criticism and objections, treats all participants equally positively, without singling out favorites.

Stimulating creative flow. The supply of new ideas may run out, and therefore the moderator should prepare leading or clarifying questions in advance that will allow participants to look at the problem from different angles and find out additional details.

Time limit for each statement. If one of the participants takes too long to describe his ideas, he needs to be interrupted gracefully, giving the other team members the opportunity to express themselves.

It is better to choose a moderator from employees equal in position to the rest of the brainstorming participants, since before a higher position the flight of thought may be greatly limited.

In addition, the brainstorming leader should be a more rational person in order to control the process and "bring down to earth" the assembled creative enthusiasts.

Types of brainstorming

Organized method

Uncontrolled, where there is no moderator and all participants freely express their opinions.

There are other types of brainstorming. Despite the general principle, the technique for carrying them out varies and depends on specific goals and objectives.

Shadowy. Idea generators are divided into two teams: the first expresses their ideas openly, and the second shares their thoughts in writing. This method helps to unlock the potential of people who, due to their temperament, find it difficult to manifest themselves in society.

Back. The point is that the participants do not discuss new creative ideas, but look for shortcomings and weaknesses of the product, and only then generate ways to overcome them.

Individual. Brainstorming is not always teamwork and for the benefit of the enterprise. This method can also be used to solve personal problems. If, for example, you need to find a way out of a problem, you can take a piece of paper and write down everything that comes to mind for 10 minutes. Often in this way you can catch very non-standard ideas, which is why the brainstorming method is also used in psychology.

Brainwriting. This is a technique in which each participant records his ideas on paper, and then all the notes are transferred to a manager or other person for study, evaluation, or generation of new solutions based on them.

Stages of brainstorming - from introduction to summary

Preparation phase

It includes a statement of the problem and a description of its specifics. Thanks to the preparatory work, the moderator can establish in detail the essence of the problem and think through the main directions of collective work to solve it.

Creating a working group

To hope for success in resolving the issue, the creation of a group must be built taking into account several factors. The approximate number of participants should be about 10 people, and they should be approximately equal in their social status. For a brainstorming session to be successful, you should not include in the group people who are professionals in very narrow fields - this will limit the freedom of imagination of other participants. All debates must take place in a comfortable atmosphere. You don't have to place a table in the center of the room, but you will need a flip chart or other board to write down ideas and display them visually. It is better if the participants' workplaces are in a circle. It is also necessary to select a storming moderator who will ensure that the discussions do not deviate from the chosen line and will record valuable ideas.

Discussion (brainstorming) procedure

The moderator begins with an introduction in which he describes the problem in detail, explains the reasons for its choice, indicates the time and regulations. After this, the process of generating useful ideas begins, which you should strive to record on the board as quickly as possible so as not to miss. At the same time, the participant must briefly explain why he proposes this particular solution and what it consists of. If at any point in time there is a hitch with new thoughts, the moderator needs to intervene in the situation. To do this, he can ask guiding questions, give examples, etc.

Summary of results

At this stage, you can once again speak out loud the ideas proposed by the participants, and also identify the author of each of them. You can develop criteria for evaluating ideas, and you can determine the most promising ones. The procedure for their testing, as well as actions in the event that the idea turns out to be a failure, is determined. Deadlines for their implementation are set. In any case, the moderator should thank each of the participants for their active work in the debate.

Disadvantages of the method

This method was presented as universal, which can be used in any field of human activity: from science to business areas.

In social psychology, this phenomenon has received wide publicity, especially given its increasing popularity in Western countries. However, after many studies, some experts began to say that the effectiveness of the method was exaggerated. The whole point lies in psychological problems: brain groups bring together people who often know little of each other. This causes internal tension in many of the participants, and one of the key rules for brainstorming is complete relaxation. And although the method prohibits any criticism of the proposals made at the stage of their generation, unfamiliar people are not too willing to express their thoughts in the presence of strangers.

Step analysis of a pharmaceutical enterprise

Economic forces	Scientific and technical factors	Socio-demographic factors	Political factors
1. Consumer income level and changes in purchasing power capabilities	1. Development of scientific and technological progress (replacement of old equipment with new)	1. Population and growth trends (the enterprise assesses the market potential, i.e. the number of people living in the region)	1. Stability of the political situation in the country
2. Unemployment rate	2. State control of the quality and safety of goods (the company carries out quality control of medicines)	2. An increase in the educational level and an increase in the number of employees (an increase in the number of educated people increases the demand for quality goods)	2. Degree of legal regulation of the market
3. Economic policy of the state (for the normal operation of an enterprise, economic stability is necessary)	3. Increased allocations for research and development	3. Aging population and declining birth rates	3. Elections to government bodies
4. Dynamics of manufacturer prices for products and competitors for analogous goods	4. Tightening requirements for product certification	4. Declining standard of living of the population	
5. State policy in the field of taxation		5. Information security	
6. Average inflation rate		6. Individual personality traits	