

Today, pharmaceuticals are goods of high profitability; many multinationals have become rich and powerful by producing drugs and medicines. This makes the competition in this market become keener and more complicated.

The Vietnam's pharmaceutical industry, although infant, could develop and absorb new technology. Many pharmaceutical factories, either state- or privately- run ones, have

to enhance the competitiveness of state-run pharmaceutical factories in both domestic and foreign markets.

#### 1. Investing in R&D activities and diversifying lines of product

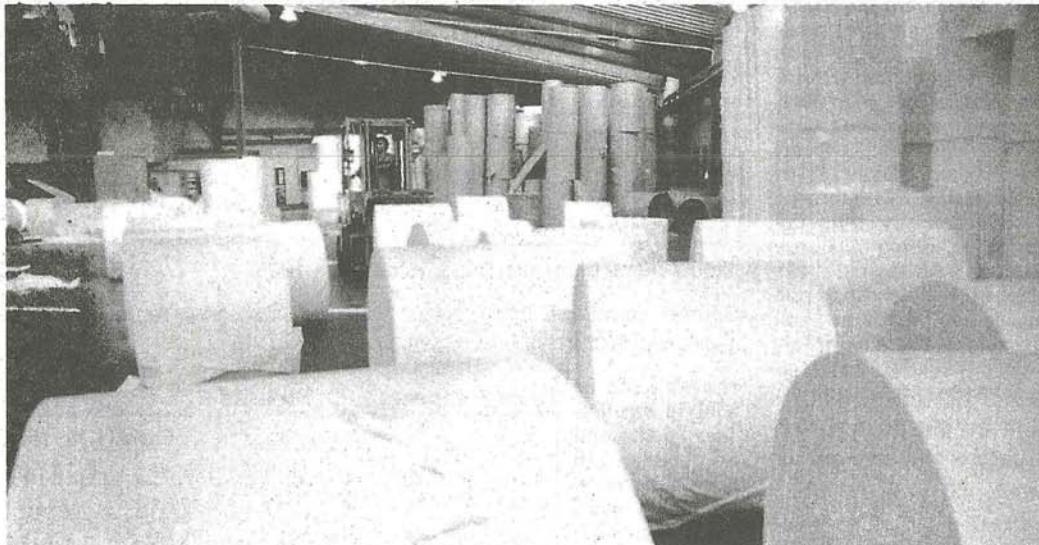
R&D activity should aim at developing new products, especially specifics and antibiotics of new generation. As for newly invented products, factories can fix the price

ventures with foreign partners or buying raw materials from a monopolist in order to get access to new technology and know-how. In carrying out the R&D activity, all necessary steps should be taken (doing market research, fixing the standards, conducting trial production, pricing, etc.) in order to avoid waste of time, money and energy on fruitless R&D activity.

To make the best use of natural

## SOME MEASURES TO ENHANCE COMPETITIVENESS OF VIETNAM'S STATE-RUN PHARMACEUTICAL FACTORIES

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come into being. Their output and contribution to the national budget are both on the increase. Many products are substitutes for imports or exported. However, the development of this industry is unruly and it needs a strategic orientation. That is why its competitiveness is poor, especially when Vietnam is prepared for the integration into the AFTA. The competition is to be keener among not only local factories but also between them and their foreign counterparts.

To cope with the situation, we want to present here some measures

based on the market demand. The profit obtained will be used for covering research expenses and making new investment.

Factories reaching the ASEAN GMP standards could produce new products under license given by multinationals or big companies that have brand leaders in Vietnam and Southeast Asian markets.

The most important task for state-run pharmaceutical factories is to invest intensively in R&D activity right now. For the time being, they can produce new products by buying licenses, forming joint

resources, pharmaceutical factories had better make research into production of medicines from local herbs and animals. In the first stage, these medicines could be in simple forms (herbal tea, sugar-coated pill, tablet or syrup), and then they could be purified and their essence extracted and used as materials for export. This is one of advantages of Vietnamese pharmaceutical industry and products of this kind are suitable to common trend among foreign buyers. This advantage could help enhance the competitiveness and save sources

of foreign exchange.

## 2. Replacing production lines

Most production lines used by pharmaceutical factories are old, obsolete or badly connected. Certain expensive equipment isn't fully used because of the lack of technicians. Therefore, besides replacing old production lines, pharmaceutical factories should avoid importing equipment that is expensive but not suitable to climatic conditions or general technical skill of workers in Vietnam. To replace production lines, anyway, is the only way to enhance product quality and produce technology-intensive goods.

To avoid waste, factories could

total quality control program instead of inspecting finished products only.

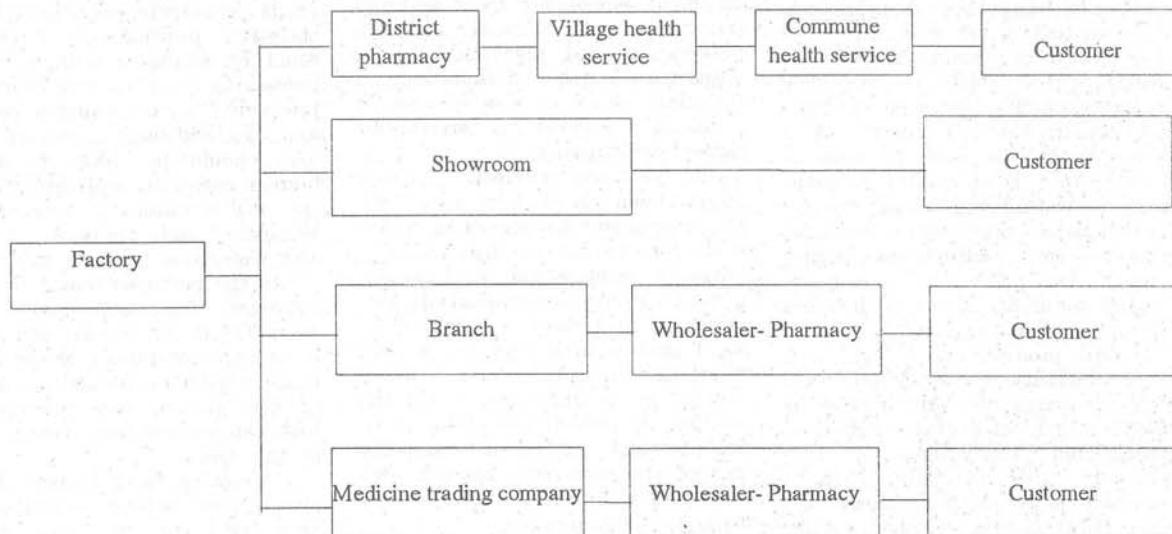
Training courses in product quality and quality control could be given to workers with a view to helping them realizing that it's they who determine the product quality.

In controlling the product quality, full attention should be paid not only to main factory building, workshops and warehouses, but also to raw materials. Factories should make plans to classify suppliers of raw materials according to quality of goods they supply, including quality of packing material. Besides realizing the GMP standard, factories should ensure good storage and help (by supplying information, giving in-

instead of competing with one another.

The next step is to develop production of raw materials thereby avoiding dependence on foreign suppliers. For the time being, factories can produce basic ingredients from local materials with the aim of reducing the production cost and creating more jobs. Quality of local raw materials should be also ensured. If low production cost leads to low-quality products, the competitiveness will be poor.

Although competitive price is one of advantage for the producer, they should pay full attention to the quality because medicine is a special goods affecting the public



cooperate with one another and restructure their organization to increase the utilized capacity of existing production lines. Obsolete or unsuitable equipment could be sold thereby reducing amortization.

Factories that have their shops scattered or situated in city centers and thus meeting difficulties in dealing with waste and effluent had better make plan to move these shops to industrial estates in suburbs. This plan could help factories secure some money to construct modern factory buildings in compliance with the GMP standards.

## 3. Enhancing product quality

Medicine is a special goods whose quality affects directly producers' public image, consumers' brand loyalty and the public health as well. All factories should carry out the

structions and carrying out regular inspection) their wholesalers and retailers keep stock in good condition until goods are sold to end-users.

Another measure is to equip inspection department with modern facilities and enhance standards of quality step by step in all products.

## 4. Reducing production cost and overheads

To reduce production cost and overheads, state-run pharmaceutical factories had better agree about the specialization based on individual equipment and advantages of each factory. Each of them will concentrate on a limited number of products and help distribute products from other factories. The specialization will help reduce the production cost and enhance the labor productivity on condition that all factories respect this agreement for common interests

health. In pricing a product, the producer should identify the target market, protect its image and position the product in the target market. Low prices do not always attract buyers because they are usually of the opinion that they certainly get their money's worth. The solution to this problem is to form an association of medicine producers with a view to encouraging cooperation on production and distribution; specialization; exchange of information and better competition against foreign rivals.

## 5. Carrying out better marketing campaigns

a. Advertisement: Today, advertisement plays an increasingly important role in marketing a product, therefore factories should save a fund for it. Forms of ad are chosen based on the target market for the

product and market segmentation. Pharmaceutical factories usually place ads for common medicines, not for specifics.

Workshops and conferences, especially in hospitals and medical schools, are also chances for producers to present their products to potential buyers. Factories could develop good relations with doctors and hospitals in order to persuade them into trusting locally made medicines. However, medicine ads should comply with regulations set by the Drug Administration and should be honest and free from wrong information in order to save users from harmful effects.

Pharmaceutical factories can take part in fairs to present their products to potential buyers and search for feedback from consumers. Factories meeting the GMP or ISO 9000 standards had better invite doctors, wholesalers and consumers to visit their workshops with a view to establishing good public relations and cultivating the brand loyalty.

b. Sales promotion: Factories can use such methods as: competitions for prizes, free samples, higher commission, etc. to increase the demand for, and remind buyers of, their products.

c. Publicity: Factories can build a good image of their brands by sponsoring sport events, articles on media and charity activities. Particularly, they can offer help to students, professors and researchers in medical schools in order to make them potential customers.

d. Distribution network: Factories should develop the distribution network of their own to bring their goods to end users all over the country. Through this network, the factory can control the retail prices thereby avoiding unfair competition, repayment risk and sale of out-of-date medicines.

In my opinion, the distribution network could be as follows:

Wholesalers and pharmacies always base their decisions on interests offered by the producers, so state-run pharmaceutical factories should offer the same or better treatment compared with their rivals. Periodical meetings and conferences should be held to get feedback from them and end-users. Necessary incentives should be offered to encourage them to increase sales.

In Vietnam, district pharmacies, village and commune health services could be developed into retail outlets

of the factory although they were formed under the centrally-planned mechanism and most of them fail to adjust themselves to the market economy.

## 6. Training the workforce

The operation and business performance of a factory depends mainly on the army of managers and executives. In Vietnam, such an army is still lacking. First of all, it's necessary to organize training and retraining courses with a view to providing this army with knowledge of business management, competition and international market. Factories could send technicians to make studies at local or foreign technical schools or have training courses undertaken by experts from universities and research centers. Organizing regular examinations in technical skills is also a way to encourage workers to strive for better performance.

In Vietnam, advisory services haven't been considered as necessary. Pharmaceutical factories had better seek for advice on management, business strategy or replacement of machines. As for technical advisory services, the factory can make technical studies intangible assets and allow the advisor to have a share of the profit originated from the studies. By looking for advice, technicians and managers from the factory can get access to new knowledge and technical skills, especially from foreign advisors.

The factory should try its best to reach GMP and ISO 9000 standards, and then realize the TQM system in order to perfect the quality control mechanism and enhance its competitiveness.

Besides ensuring high quality of life for workers as required by the Labor Law, factories should work out policies to give preferential treatment in order to attract and persuade skilled laborers, technicians and experts (good salary and allowance, jobs with promotion prospects, jobs appropriate to one's ability, chances to make studies at home or abroad, etc.) These policies help encourage laborers and establish good relations between laborers and the factory.

## 7. Improving the factory's financial standing

Most pharmaceutical factories in Vietnam have poor financial standing. Their operation is based mainly

on loan capital while credits from state-run banks are of high interest rate and unstable.

Some factories have to depend on long-term loans or buy machines and raw materials from foreign suppliers under deferred payment terms. This measure involves a high degree of risk because of the changeable exchange rate (the official rate between the VND and the U.S. dollar was adjusted nine times during the period between January and August 1998, varying from VND 12,293 to 13,907 to the dollar).

To solve this problem, the Government had better supply soft loans to these factories because medicines could be seen as essential goods. In current conditions, certain state-run pharmaceutical factories could be equitized with a view to increasing their working capital and improving their business performance. In addition, necessary measures should be taken to develop human resources, enhance managerial skills, encourage intensive investment and promote managers and executives of real merit.

As for factories that couldn't be equitized, they can raise money from their employees and invest it in new equipment or production lines in order to enhance the product quality, develop new products and make employees feel more attached to the factory.

Attracting foreign investment is also a good solution but it should be carried out with care. Priority should be given to partners who can introduce new technology needed for producing high-quality goods and essential raw materials. The main obstacle to state-run pharmaceutical factories is poor R&D activity and obsolete technology. Investing in factory building and machinery without good product strategy won't help factories enhance their competitiveness and recoup their capital investment.

Amalgamation of state-run pharmaceutical factories is another way to increase the working capital and enhance the competitiveness. This measure could increase the bargaining-power in dealing with foreign suppliers and save administration expenses.

The above-mentioned measures are only what we could suggest, each factory should analyze its strengths and weaknesses and work out its own strategy to enhance the competitiveness.