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**SUMMARY OF THE PHD THESIS**

**DISTRIBUTION MANAGEMENT OF HUMAN AND  
VETERINARY PHARMACEUTICAL PRODUCTS**

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## **INTRODUCTION**

In modern economy, characterized by a special complexity, seldom a producer can directly sell his products. The producer has the opportunity to resort to different go-between contacts, with different functions on the market, thus making certain commercial circuits or representing the components of the logistic chain, specific to each product.

The activity of all participants to the product flow is very much connected to the problems regarding commercial distribution. The product distribution ties together in space and times the producers and the consumers. Knowing all aspects of commercial distribution facilitates developing commercial circuits, regarding the implementation of both distribution circuits and integration systems of the retail trade and the „en gross” trade in order to assure a network of commercial units in each area.

Approaching the activity of each enterprise through new optics, in the light of modern market economy, the distribution of products appears as an indispensable function that guarantees the best possible route for products from the enterprise to the commercial units where they meet up with demand.

The decision regarding the selection of a proper distribution channel represents one of the most important decisions in the marketing strategy. It directly influences all other marketing decisions. This is one of the motivations for choosing this particular theme in achieving the PhD thesis.

On the other hand, the price of a certain product depends on the fact that the producers resort to either the big players on the market or the retail merchant who sells expensive products. The decisions regarding advertising and marketing of a product are based on the qualification and motivation of the interloper. Additionally, the decisions regarding the distribution of products imply to assume long term obligations to other firms. All these aspects that make the distribution process to play a central role attract me and motivate me to study thoroughly this domain of special importance.

In this context, the allegations of Corey Raymond are of present interest. He shows that the distribution system is one of the main external resources. Its achievement usually takes many years, and a change in this system it's not easy to accomplish. It has an importance as big as the main internal resources, such as personnel, production capacity, research, designing and marketing. It represents commitment of the firm to a number of independent companies involved in distribution activities and to the markets to which these companies cater. Besides, it enforces the

implementation of certain techniques and policies that contribute to the achievement of long term relationship foundation. (Corey, 1999).

The distribution channels have certain ineptitude. When choosing a distribution channel, the firm management has to take in consideration both the present and future market conjuncture.

Gratifying basic human needs through product and logistics consumption is the result of well operating offer – demand mechanism, composed by research systems, production systems, report and transfer systems, which are servant to the customer. The transfer system of the goods and logistics from the producer to the consumer ends the cycle and ensures the finality of the firm activity. Without distribution, the economic cycle cannot be terminated and the production cannot be re-engaged without the risk of product hoarding, which can block the firm activity. Within this system, there are certain activities that need to be analyzed, planned for, organized and performed by the marketing - distribution policy compound.

The thesis is structured based on six chapters that begin by clarifying some concepts regarding distribution, offering the definition of this process, the role and evolution of distribution worldwide and national. It continues in chapter two with the identification of the strategies used in distribution circuits, and in chapter three with problems regarding the management of distribution and of the channels of distribution.

In order to adapt the present concerns on national and European level regarding the development, modernization and accommodation of distribution systems to current technological possibilities, the thesis begins with theoretical aspects regarding distribution, in general, and especially the vertical distribution system. It underlines important theoretical aspects, belonging to remarkable personalities from Romania and from abroad, who dealt with the distribution issues.

After research has been performed, some ways of eliminating present difficulties connected to distribution activity have been found, ways that can maximize the efficiency of distribution systems in Romania

The final conclusions of the thesis essentially highlight the possibilities of improvement of commercial organized structures of pharmaceutical distribution in Romania, especially in Cluj-Napoca. The conclusions have been stated after a careful analysis of distribution firms specialized in pharmaceutical products from Cluj-Napoca.

## **CHAPTER I**

### **DISTRIBUTION OF PRODUCTS: DEFINIRE, ROLE, EVOLUTION**

#### **1.1. THE DISTRIBUTION PROCESS : DIFINITION, ELEMENTS, DISTRIBUTION CHANNELS**

For along time, the passing of the products from the producer to the consumer was viewed as the final stage of production, an act that is accomplished without special efforts once the product has be made. The development of goods production, the growth of competition and the augmentation of the complexity of products have determined the producers to intensify their efforts in the final stage, the marketing – selling stage, a stage in which important price cutting can be made in order to optimize the selling time. Also in this stage, one can obtain useful information for future activities and thus achieving a better rank of the firm and a better brand image.

The distribution process represents an important component of the activity that economic agents carry on the market. Given the importance of this process, it needs to be oriented in order to achieve the value required by each firm or commercial society, based on the nature and the power of the competition, the structure of the selling market and other elements specific to each period.

This kind of orientation implies preliminary knowledge of certain aspects regarding the role of distribution in the activity of each commercial units, the knowledge of the constitutive elements of this process, elements specific to each market, inclusive a series of criteria that initiate the organization of a distribution network.

The definition of distribution has to be made from at least two points of view: the general economy point of view and the industrial unit's point of view.

In general, from a macroeconomic point of view, the definition of distribution is based on the relationship network between the three main areas that compose the market:

- production, meaning that making of goods;
- distribution, meaning the transmission of goods trough commercial transactions, from producer to consumer;
- consume of goods in order to satisfy the needs of the final consumer.

Named „*the most mysterious of the four elements of marketing mix*”, the distribution is, in essence, the process of bringing the goods and logistics from the producer to the consumer. (Hill, Sullivan , 1996: p.111).

In specialized literature, there are several definitions of the concept of distribution. Thus, P. L. Dubois considers that distribution “*covers the ensemble of operations through which a good comes out the production device and reaches the consumer*” (Dubois, Jolibert, 1989: p.167).

A. Dayan defines distribution as „*the process through which the goods and logistics are available to the consumers, guaranteeing space, time, size, as demanded by the market* (Dayan, 1992: p.158).

Another definition of distribution shows that it „*designates the assembly of means and operations that ensure the availability of goods and logistics made by industrial units to the consumers*” (Dumitru, 1995: p 231).

The concept of distribution must not be mistaken with the movement of goods or the physical distribution, which imply only the physical displacement of the goods from production to consumption. The concept of distribution implies a larger process that begins when the products is ready to be put on the market and ends once the selling act to the final consumer is accomplished. In this range of space and time, a series of economic activities take place, such as: delivery of goods, their transportation, storage and preservation, hoarding, selling etc.; the mobilization of material, financial and human resources needed in order to achieve the distribution, the establishment of transfer means of ownership titles and practical insurance of these titles.

The means and operations designated by the term distribution are classified into two big categories: “*commercial distribution*” and “*physical distribution*”. The commercial distribution consists of transferring the ownership title of the product from the producer to the consumer. This kind of distribution can be assured through distribution agents who can be individuals (for example, the salesmen in industrial units) or trade retail units, commercial societies which deal with commerce by transfer or retail, etc. The physical distribution consists of making available, from a material point of view, the goods and the logistics to the consumers, with the aid of transportation and storage. The term „*physical distribution*” is equivalent in specialized literature with the term distribution logistics (commercial).

Physical distribution implies planning, implementing, physical and material flux control from the points of origin to the usage points, in order to satisfy the demands of the final clients (the consumers) and to make profit. The purpose of physical distribution is to create delivery chains, meaning added value flows from suppliers to the final consumers. Thus, the role of the distribution compartment consists of coordinating the activities supplied by the producers, the acquisition agencies, marketing specialists, members of the distribution channels and clients.

The firms coordinate their supplying chains through information. There has been major increase of distribution and logistics efficiency following the progress in information technology,

mainly due to the appearance of: electronic computers, computers situated in stores, unifying codification of products, satellite supervision, electronic data transfer and electronic fund transfer. Such progresses provided the firms with the opportunity to make and keep promises and to honor those promises through information.

According to the *Marketing Lexicon*, the distribution is the notion which defines „*the total amount of economic and techno-organizational procedures regarding ordering and transmitting goods and services flow from producers to consumers, in high efficiency conditions.*” It implies a great variety of activities and operations and it shows how to administrate the relationships within industrial units as both producers and consumers, in order to increase the advantages offered to the consumers (Mâlcomete, Florescu, Pop, 2003: p.204).

Thus, the distribution can be defined as choosing and administrating the way to optimize the characteristics of a product or service for a maximum, relevant number of consumers at low cost. It doesn't imply only supplying goods and services, but also their movement inside the organization. (Hill, Sullivan, 2003).

The term „distribution” implies the total amount of means and operations that insure getting the goods and services from the producers to the consumers. In other words, distribution represents the procedure through which the goods and the services are brought to the intermediate or final consumers, guaranteeing facilities of time, space, size, according to market demands. In modern economy, the distribution process contributes to the promotion of economic success, in general. Regarded as such, the distribution is more than a simple movement of goods, because it adds a series of services in a continuing growth and it actively influences the production by direct and detailed knowledge of consumer's demand and preferences.

The concept of distribution implies a series of activities that begin in the moment the product is ready to be launched on the market and it ends the moment the final consumer buys the product.

In modern marketing, the distribution is a complex concept that reflects: the assembly of operations and economic procedures determined by the circulation (movement) of the goods from producer to consumer. (Mâlcomete, Florescu, Pop, 2003: p. 214). Thus, one does not reduce distribution to physical movement of goods because the distribution is preceded, accompanied and followed by: the product flow, the negotiations flow, the ownership title flow (Rosebloom, 1983).

**The concept of distribution** implies the following: the route of the goods on the market until they reach the consumers; the producer, the interlopers and the consumer - all participants to the successful movement of the goods along this route – they all form what is called, in market lexicon, the „*distribution channel*” (Florescu, Mâlcomete, Pop, 2003: p.214).

The concept of distribution implies:

- the assembly of economic acts, operations (sale, purchasing, junk shop etc.), transactions that point out the successfully passing of the goods from one economic agent to another until they reach the final consumer;
- the operative procedures flow, the physical flow of products in their route to the consumer (transportation, storage, prepacking etc.);
- the technical device – unit's network, endowments, personnel – which forms this whole assembly of procedures and operations.

The term distribution defines the assembly of means and operations that ensures the delivery of goods and services from the producing industrial units to the final consumers *at the right place, in a sufficient quantity, at the right time and with all necessary logistics*, as demanded by the market.

A detailed analysis of the content of distribution reveals the presence of flows between production – as starting point of the goods – and consumption, as final point. According to Rosenbloom and Behrens, we are talking about five different flows:

- product flow;
- negotiation flow;
- title ownership flow;
- information flow;
- promotion flow (Mâlcomete, Pop, Florescu, 2003: p.214).

## **1.2. THE ROLE AND THE FUNCTIONS OF DISTRIBUTION**

The distribution plays an important role in each firm's marketing activity, because of the position it has in the economic circuit of goods. The producers and the consumers are separated by distance, by mutual ignorance of means and needs, by disproportion between quantities offered by the producers and the ones demanded by the consumers, by periods of merchandise production and moments of manifestation of needs on the market.

In view of these arguments, the distribution takes on the role to regulate the movement of the goods and services between production and consumption in order to satisfy the needs of the consumers by providing a wide variety of services, such as: proximity of the selling price, the

possibility to choose from a wide variety of goods and services the ones that best fit the needs and demands of the market.

In order to accomplish the necessary balance on the market through regulating the movement of goods and services between production and consumption, the distribution assembles several essential economic functions for both producers and consumers, allowing the flow of goods from production to consuming points, in the best possible conditions.

The very rapid development of distribution on a world wide scale was stimulated by a series of evolution factors, such as:

- *Production development factors,*
- *Product evolution factors,*
- *Consumers evolution factors,*
- *Market evolution factors.*

According to specialists opinions, in market economy, the production and the consumption are no longer possible without distribution.

In every society, the producers and the consumers are separated through distance, thus leading to mutual ignorance of means and needs, to disproportion between quantities offered by the producers and the ones demanded by the consumers, to periods of merchandise production and moments of manifestation of needs on the market.

The distribution takes on the role to regulate the movement of the goods and services between production and consumption in order to satisfy the needs of the consumers by ensuring the proximity of selling points, the possibility to choose from a wide variety of goods and services the ones that best fit the needs and demands of the market.

The distribution deadens the effects of missed –timing between production and consumption. It also unites the production centers to the consumption centers; it connects different geographical areas to the national and international economic circuit, maintaining intact their special profile regarding production and consumption.

The role of distribution consists of ensuring the continuous „leakage” of goods between consumers; it tries to reach several goals:

- *reaching an optimal correlation between offer and demand,* by having an active influence on the production, based on preliminary knowledge of consumers demands;
- *movement of the products at the site of demand,* through rationale organization of the physic flow of the goods;



- *ensuring the best possible moment of delivery in connection with the market demand,* which leads to regulating the movement of the goods and the down regulation of the seasonal oscillations of the market;

- *the achievement of the rational minimum cost* in order to get the wanted product to the consumer, in view of the fact that the consumer is the one who covers the expenses. (Stanciu, 2002: p. 142).

As the society develops, with the economic and the social progress, ***the role of distribution is in continuous growth.*** Considering the dynamics of the material production, of the forces of production, the growth and diversification of the goods and services offered, the high demands of the consumers, the distribution had to enlarge its work capacity and to improve its methods and shapes.

*The main functions of the distribution are:*

1. ownership title transfer function,
2. transportation function.
3. fractionization function,
4. assortment function,
5. storage function,
6. information function,
7. fineness function,
8. social function. (Stanciu, 2002: p.145).

To all these function, one can add other services distributors offer along with the goods that they market. Among these services, one can find:

- placement of the stores as close as possible to consumers work place or home;
- settlement of store hours according to consumers needs;
- delivery and assembly possibilities, transportation, repairs and maintenance during the warrantee period;
- kind, trained personnel.

In conclusion, the distribution adds value and utility to the products. In well developed countries, with a complex production structure, the distribution hires almost half of the active population, offering an important amount of available work place.

## **CHAPTER II**

### **DISTRIBUTION STRATEGIES**

#### **2.1. DISTRIBUTION STRATEGY: CONCEPT, OBJECTIVES**

**Strategy** represents a sequence of activities planned over a relatively long period of time, activities that aim to accomplish the company's objectives.

If a number of specialized papers define the concept of strategy as a decision model regarding objectives and aims of a company, than we can also consider strategy as a vision, as a course of action which implies knowing the specific steps.

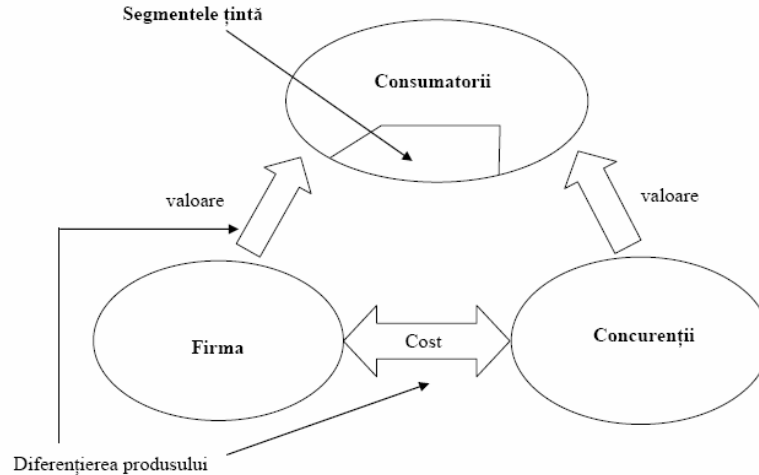
Wording the marketing strategy can be surely considered as the „*hart*” of the entire strategic marketing planning process. Thus, as a distinct stage of strategic planning, the wording of the market strategy can only be accomplished after the company's strategic vision has been defined and analyzed, followed by resources allocation and marketing control.

Due to the complexity of the market strategy wording process, in specialized literature one can often find the term strategic planning process, when referring to its systematization. Wording a market strategy will ensure the determination and the mission of future objectives, the settlement of future steps and the election of marketing mix, which constitutes the key of success in a company on today's economic market conditions (Cruceru, 2003: p.197).

If client enticement is viewed as a marketing objective, that it cannot be accomplished without a proper, market oriented strategy that takes into consideration not only the customers but also the competition.

Within the wording process of market strategy, the marketing objectives will correspond with the company's general objectives that are formulated for each product and for each targeted market.

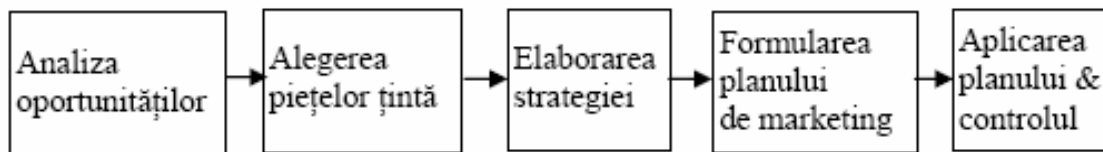
Marketing strategy represents the assembly objectives, policies and procedures that have a final goal: orienting the marketing activity of the company in relation with the fluctuations in internal and external environment. ( Málcomete, Florescu, Pop, 2003: p.669).



**Figure 2.1. – Marketing strategy**

(source: Ohmae K., *The Mind of the Strategist*, Bucharest, Teora Publishing, 1998, p. 85)

The wording process of a marketing strategy consists in analyzing the existing market opportunities, the company's position, and the elaboration of an action plan – all that with a single goal: the achievement of the company's objectives. (fig. 2.2.).



**Figure 2.2. – Strategies wording process (Amerein, P., 2002)**

(source: Kotler Ph., Dubois J., *Marketing Management*, Paris, Editions Publi Union, 1989, p. 74)

The analysis of the opportunities implies implementing highly competitive software that can supply information about sales evolution, consumer's behavior, competitor's environment and strategy of competitor companies.

Information can be acquired through well known methods and means, such as: questionnaires, group reunions, phone inquires.

At the same time, the firm's external (demographic, technical, economic, cultural evolution) and internal (suppliers, interlopes, clients, competitors) environment are analyzed.

The targeted market election process consists of indentifying the best ratio between attracting the targeted segment and providing with company's available resources in order to conquer a position inside that segment.

The consumer's segment selection represents one of the most important marketing activities, one that enforces strategic decisions. These decisions are made according to highly sophisticated marketing research techniques that are using comparative research between different segments of consumers with the final goal of increasing expenses and marketing budget. (Ries, Trout , 2004.).

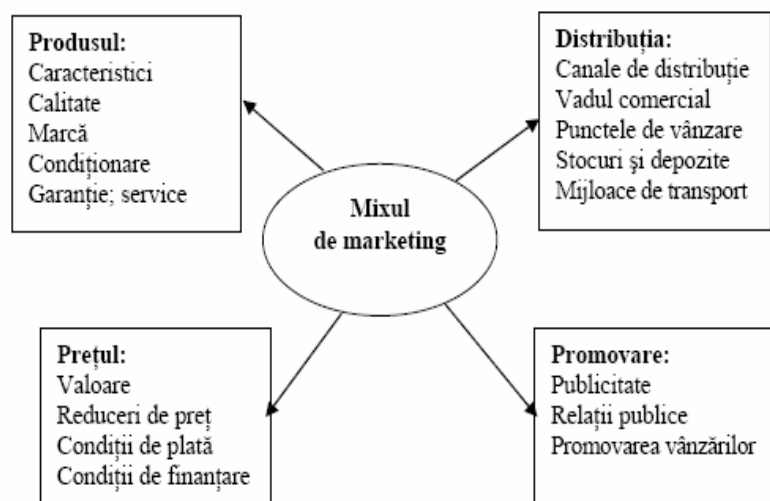
The marketing strategy wording implies establishing three elements:

- budget,
- marketing mix,
- resources assignment manner.

Marketing budget is, usually, established as a percentage of sales number, according to the type of intended activities.

Marketing mix represents the assembly of the company's variables in order to influence the targeted market:

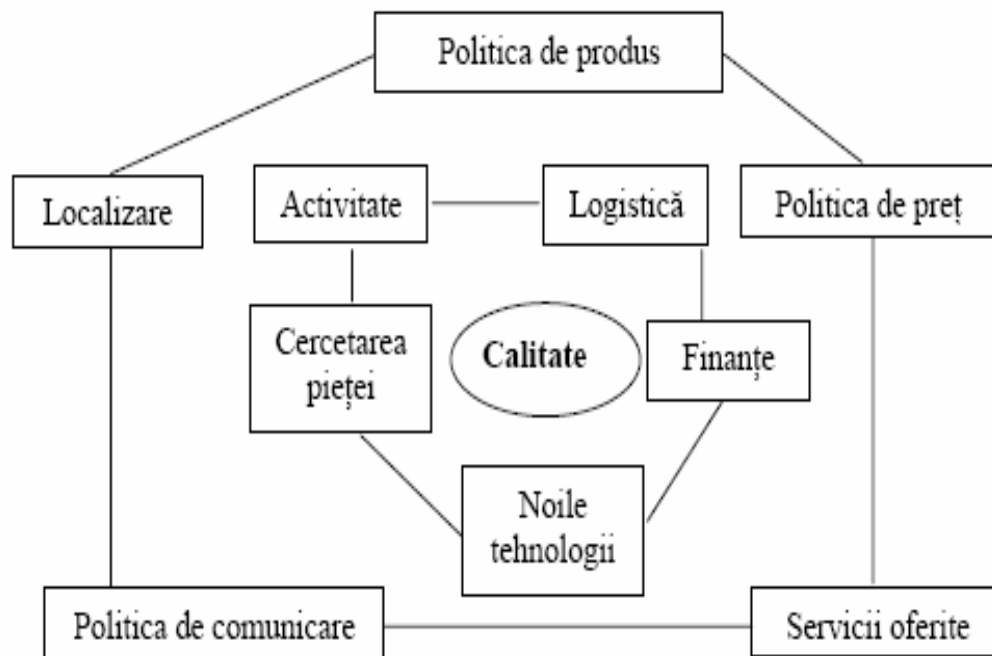
- product,
- price,
- promotion,
- distribution. (fig.2.3).



**Figure 2.3 - Marketing mix elements**

(source: Kotler Ph., Dubois J., *Marketing Management*, Paris, Editions Publi Union, 1989, p. 74)

Distribution strategy – as a component of marketing strategy – is based upon pointing out the selling points and on products on sell, designates prices, offered services and communication. These elements are correlated with the activity of the selling point, with the logistic activity, market research and the impact of new technologies. ( Mălcome, Florescu, Pop 2003: p.669) (fig.2.4).



**Figure 2. 4 - Distribution Strategy Elements**

(source: Hasty R., Reardon J., *Retail Management*, McGraw-Hill, 1997, p. 50)

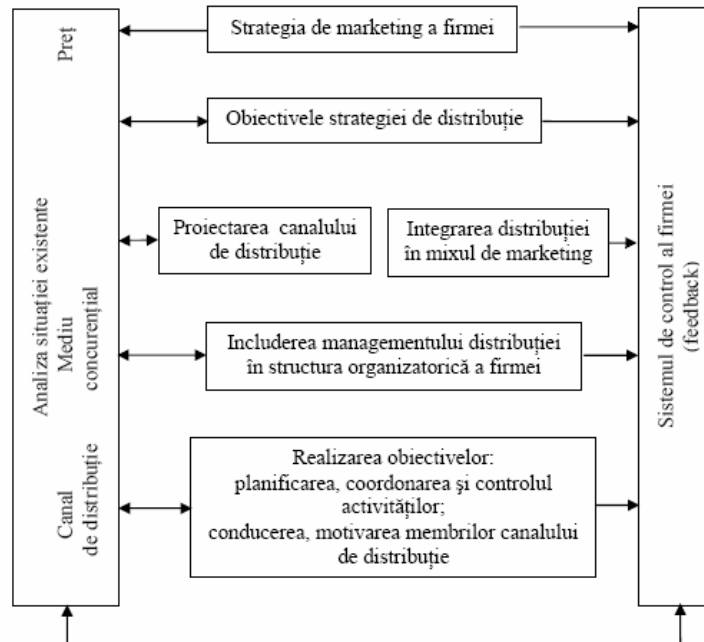
The efficient accomplishment of a distribution strategy implies organization, planning and control.

All these functions are fulfilled through distribution management.

The distribution management main tasks are:

- analyzing the current situation and getting an accurate foresight of distribution activity development;
- establishment of distribution strategy objectives;
- distribution integration into the marketing mix;
- designing the firm's distribution system;

- planning, coordinating and controlling the distribution activity;
  - management and motivation of different components in distribution channels.
- (fig.2.5).



**Figure 2.5 – Incorporating the distribution management tasks into the firm’s strategic plan**  
 (source: Specht G., *Distributions-management*, Kohlhammer, Verlag W., 1992 p. 21)

In order to determine the strong and the weak spots of a distribution channel, one should consider the following:

Market position of the distribution channel:

- market quota;
- development potential;
- number of intermediate links;
- efficiency.

Selling potential:

- distribution channel image;
- length and depth of the product variety;
- designated prices;
- ensuring market information.

Qualifying the selling force:

- services and assistance offered to clients;
- selling force flexibility;
- selling force motivation.

Logistic potential:

- storage capacity;
- delivery services;
- logistic activity induces prices.

Vertical integration potential:

- cooperation between distribution channel's links;
- motivation of distribution channel's members;
- conflicts between distribution channel's members.

## **2.2. DISTRIBUTION STRATEGY CHARACTERISTICS**

Cooperation between members of the distribution channel constitutes one of the basic conditions to accomplish the producing company's objectives. The company has three communication strategy options: *push* strategy, *pull* strategy and mixed strategy (Kotler, 2001: p.479).

- Push strategy consists of orienting the communication and promotion efforts towards the interlopes. Such a strategy is used in case of dispersal of potential consumers and an aggregately communication is not favorable. This type of strategy applies to high tech products or to new products launched on the market (e.g. computers commercialization implies such a communication strategy). The products are "pushed" towards the final consumer through sales promotions that are directed towards the members of the distribution channel. (Florescu, Balaure, Boboc, Cătănoiu, Olteanu, Pop, 1992). The interlopes are interested in distributing these products because of the advantages that are offered by the producers (sales, bonuses, credits etc.).

- Pull strategy concentrates the communication and promotion efforts on to the final offer, thus on to customer motivation.

A synthesis of the main strategic decisions in distribution domain is presented in the hereinafter figure:

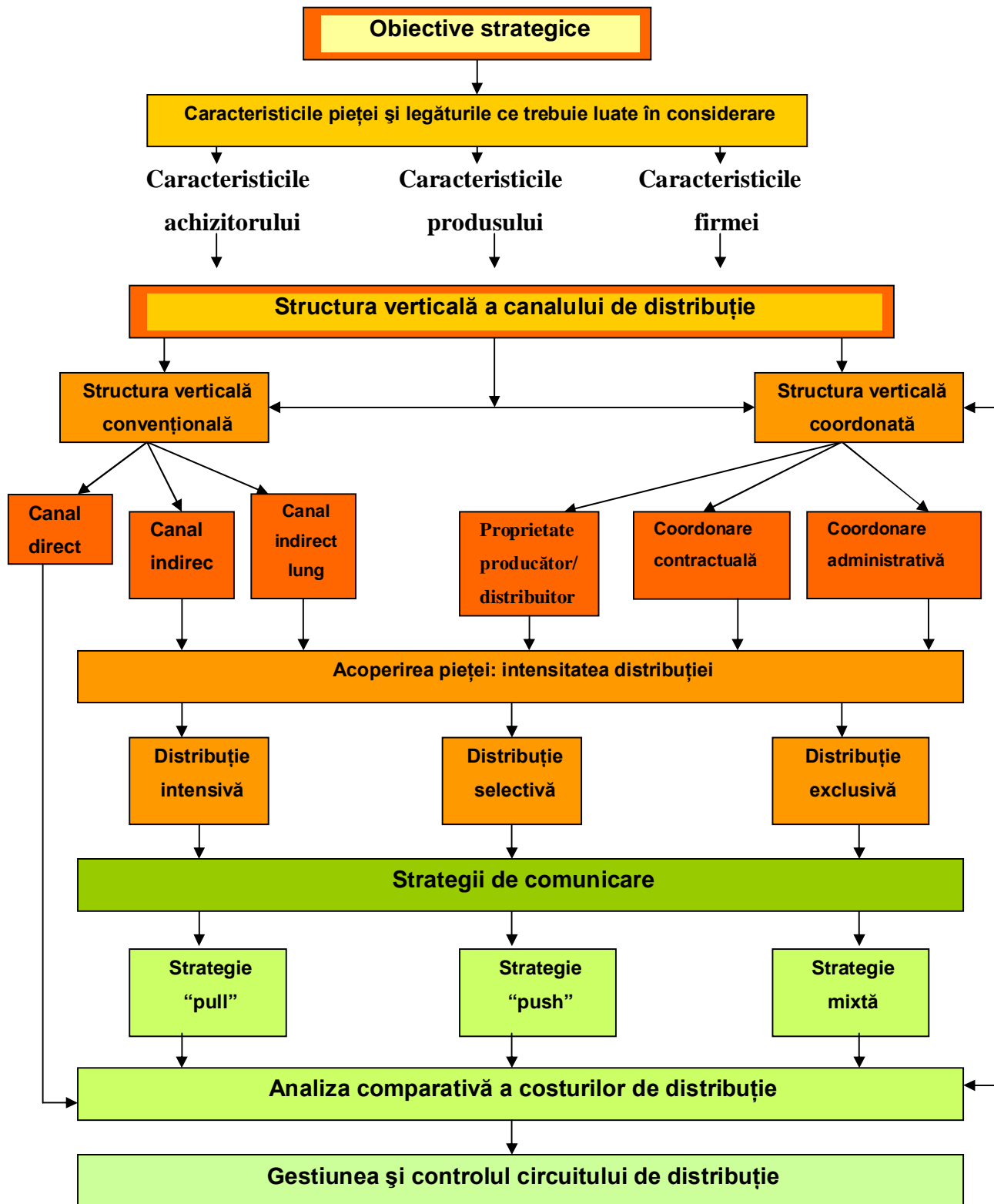


Figure 2.7 - Distribution strategy decisions

(source: Lambin J.J., *Le Marketing Strategique*, Mc. Graw-Hill, 1991, p. 316)



## 2.4. STRATEGIES OF GLOBAL DISTRIBUTION

Going global in distribution area is not a recent process. The phenomenon started at the beginning of the XX<sup>th</sup> century, but it became major in the '70s. More accurately, after the first petroleum crisis in the XX<sup>th</sup> century. If, in the 1970s, the number of multinational companies in distribution field was around 150, in 1978 there number reaches 250 and in 1988 it reaches 400. Today, on a global level, there are over 1000 distribution companies.

The process of distribution companies going global had three periods. The first period was at the beginning of the '70s, and in this period the decision to expend on foreign markets was mostly based on chance and manager's intuition rather than systematic analysis of profit opportunities.

The situation changes at the beginning of the '80s, when the companies start to elaborate true market expansion strategies, based on well structures development plans.

The last decade of the XX<sup>th</sup> century, the third period, deals with the main problem of distribution chains: going global. It is a remarkable stake, considering that certain local markets are almost saturated for certain products, that the legislation becomes more restrictive about other products and the profit threshold has a tendency to grow.

Thus, the beginning of the XXI<sup>st</sup> century debates the following problem: what kind of commercial structure suits the best to the multinational strategy? Or, in other words, which is the best combination between the store concept, the logistic and human organization?

The reality shows that distribution companies that went, over time, through *„the three successive stages, know that challenges revolve around crucial factors in going global distribution success. It means that the merchants need to adapt to consumers cultural demands by creating new commercial formats suited to the target markets and by organizing an international network and managing supply „* (Coyle, 2000: p. 181).

The globalization tendency, with all its controversy, is explained by the existence of a certain number of advantages, culturally speaking. It refers to: reduced prices that have determined international success for many distribution companies such as Carrefour, IKEA etc.; the possibility offered to the client to find under the same label *„umbrella”* all that they need and want (a vast universe of goods and services); the warrantee of a certain and consistent quality and, more and more frequently, the promotion of a new lifestyle.

One of the key factors in global distribution success consists of the distributor capacity to concentrate the supplying the goods for more than one country or region. For example, all

international purchases for Carrefour are made through a central purchase headquarters design for this purpose and situated in Brussels. Promodes purchases through PWT interlope, situated in Geneva. Leclerc created a network, Eurolec, situated in Zurich, as a part of the European central purchase headquarters, EMD.

The purchasing and consumption behavior and the distribution structure differ from country to country.

In international distribution, the failures are explained by choosing an unfitting implantation way, thus underestimating the cultural differences (Cruceru , 2003).

The experience proves that distributors who imagine and create a global architecture to allow the control of logistics a product outlook will be the best placed in order to become true global distributors.

The presence of a company on a certain market is dictated by the company's objectives, the market structure, and the computational environment and by the company's competitive advantages. Considering the development of international distribution structures, the distribution management of a chain of stores doesn't have to limit itself to the internal market.

The producer questions the choice of a certain type of internationalization and of the distribution components, which are necessary in order to accomplish its activity. From this perspective, the analysis of international distribution is useful in order to identify the differences generated by the peculiarities in economic, social and cultural development. Underestimating these peculiarities constitutes a possible cause of failure in promoting going global strategies of the producers.

**CHAPTER III**  
**DISTRIBUTION MANAGEMENT – THEORETICAL CONSIDERATIONS**  
**3.3. THE DISTRIBUTION MANAGEMENT**

The concept of distribution management refers to management of organ distribution in a company that dominates the manufacturer's perspective. Management distribution areas parts are first of all diagnoses of distribution, strategic management of distribution, distribution, stock management and controlling distribution site (Málcomete, 2003: p.359).

Distribution management is a broad field, covering the whole process of training and operation organizational flow that helps to transfer to the final consumer products.

The concept of distribution management involves:

- Obtaining systematic information regarding the efficiency of channel distribution;
- Setting goals distribution policy according with the objectives of other components of the marketing mix;
- Systematic planning and organizing all activities for distribution, taking into account the objectives of the enterprise and market situation.

These requirements of distribution management can be considered by any enterprise, but not every section of the firm may take on the role of head of channel distribution.

The five functions of management, recognized by many experts, can be defined by two common elements, as follows:

- characteristic activities of each function in their whole are specific only for managers;
- management functions are carried out in absolutely all types of businesses, regardless of their domain or their size.

Knowledge of the functions is a major start point for understanding scientific content of management, to acquire and effectively use the systems, methods, techniques, procedures and modern management methods.

In the management of distribution, the many objectives on one hand, many conditions and restrictions involved in their production, on the other hand, make the choice of the decision strategy extremely complex.

Fixing coordinates of strategy remains a first step in the strategic marketing of distribution activity. The most difficult part follows after the decision is made and it consists in putting it in application. The management company must inform when the strategy set out became

inadequate determinant of his actions that have changed over time; the search continues to ensure logical consistency of the strategy followed a real pattern of factors. Distribution channel as the socioeconomic system of direct relations between its components require independent institutions for effective organization of functions of distribution, planning, organization, coordination, training and control.

With all these reasons that support the interconnection of distribution in marketing-mix program, the management of distribution is one of the least considered in practical activity. Therefore it has to be presented the requirements of distribution management design:

- orientation towards problems and needs of all members present and potential distribution channels, so for example, a manufacturer choosing channels must start from the requirements of brokers, other members and, above all, customers;
- obtain systematic information on the efficient distribution channels;
- setting targets distribution policy consistent with the objectives of other components of the marketing program mix;
- systematic planning and organizing all activities for distribution, taking into account business objectives and market situation.

In terms of the manufacturer can distinguish the following six main objectives of management of distribution:

1. analyzing the current situation and forecast the development of distribution activities in relation with existing distribution channels;
2. analyzing the current situation and forecast distribution in terms of development opportunities and risks, and strengths and weaknesses of the company;
3. setting goals distribution strategy and its integration into the marketing-mix of the company;
4. design the distribution system in the enterprise and beyond;
5. planning, organization, coordination, training and monitoring activities of distribution;
6. leadership and motivation of the various institutional components of the channel distribution.

Background distribution system suitable for any product has a starting point for comprehensive analysis of existing distribution circuit on a given market.

A reality check should resume the following:

- research and forecast changes in relevant internal and external distribution;
- business opportunities and risks in the study and choice of channels are subject to changes occurring in the distribution chain, but also mutations into the endogenous factors of the enterprise;
- is necessary, therefore, to determine each critical factor for success failure distribution process as a whole;
- analysis and forecast position distribution channel and market position undertaking distribution channel;
- This analysis refers to observations of structure and behavior of channel distribution. This approach seeks to identify the potential for achieving distribution objectives of the enterprise;
- analysis of strengths and weaknesses of the enterprise's distribution channel in distribution channel;
- potential to achieve the distribution functions of an enterprise critical success factors, taking into account the competitive situation allows an identification of strengths and weaknesses of channels and the enterprise the distribution channel. From this comparison it can cause so-called "strategic gaps".
- analysis of market segments open to new business opportunities;
- situation analysis of the distribution is related to the search for possible availability of implantation in a market, thereby identifying offensive or defensive strategies applied by the company said. The analysis will focus mainly on businesses competing in the same channel distribution or on competing channels.

The main areas of analysis of the situation of distribution of a product are:

- product;
- potential market of the company;
- distribution channel that is placed on businesses.

A key influence management of distribution channels is a product to be transferred from the sphere of production to final consumption sphere.

Analysis of the product, in this context has the following characterization:

- physic -chemical properties: aggregation status, environmental sensitivity, weight, size, possibility of storage;

- technical - functional properties: technical parameters, dependent technique use;
- the need to complement the functionality of the product through the provision of services during or after the sale of the product;
- the quality and price high, medium or low;
- conditions of expertise in sales (including service);
- consumer needs and purchasing opportunities;
- sensitivity to brand image;
- degree of novelty, that stage of the product life cycle.

### 3.4. DISTRIBUTION CHANNEL MANAGEMENT

A very important and sensitive issue for management is to motivate and control distribution intermediaries.

After selecting intermediaries will develop a promotion program that aims to achieve and maintain a high interest for company products.

A key issue concerns the financial reward paid to intermediaries. Limits commission must take into account the wishes of the broker and market situation. They vary depending on sales volume and level of service offered.

Staff and intermediary agents need and psychological rewards, recognition of work they do advertising and advertising firms in the local newspapers it stimulates and encourages intermediaries.

A business can support intermediaries by: providing discounted loans and adequate information about the product, technical support and "service". Such support gives the broker confidence in the product. Considerable attention will be given to establishing a close partnership between the company and its intermediaries, namely the development of alliances such as "intermediate producer". Both producers and intermediaries want the relations between them to be non-conflict, which resulted in the development of relations between them, affecting the profitability of increasing distribution channels. Certainly, in the event of conflict, they will be dealt with great skill and diplomacy.

Sometimes very large length of channels is very difficult to control intermediaries to eliminate this difficulty.

To ensure control of distribution, manufacturing firms will have to define the shared objectives more explicit, and establish performance standards for services provided by intermediaries. Performance standards will have to include sales volume, market coverage, distribution of profit margin, stock code, price stability, quality advertising. The higher the standards are better defined, custom, the easier it can monitor and control distribution.

Communication between producers and distributors: Get always problems, it is fast and efficiently from producers to distributors, but slowly and incompletely on the reversed circuit.

Vendor performance evaluation: Management Company should define very precisely and in agreement, from an expected performance to achieve effective cooperation.

The strategy of distribution companies: It is easily done in accordance with management objectives, the purpose of cooperation between member states and eliminating potential channel conflict between them.

Analysis and choice of forms of distribution: The forms of distribution adopted are resultant combinations of preferences of the consumer price - service - range - quality technical sales.

### **3.5. METHODS OF DISTRIBUTION MANAGEMENT APPLICATION IN COMPANIES**

An important component of management science is the systems and methods of management companies.

Management approach facilitates the exercise of certain components of process management with implications for content and effectiveness of work of one or more managers. Management approach is "a set of principles and techniques that indicate the manner of deployment attributes of the management process whilst ensuring solving concrete problems arising from these attributes, to establish and achieve business objectives. Management approach in view of Nicolescu O. and I. Verboncu is that way which facilitates the exercise of components of process management with implications for content and effectiveness of work of one or more managers (Nicolescu, Verboncu, 1995: p.256).

For operational procedures for solving problems is using techniques of management functions. Management techniques include a set of rules, procedures and specific tools with which to resolve specific issues arising from the attributes of the management process.

Management system is a coherent set of elements, principles, rules, methods, decision-making procedures, organizational information, through which it provides modeling and exercise in

a specific manner all or most of the functions of the management process for firm as a whole or for major components in order to increase economic profitability (Nicolescu, Verboncu, 1995: p.256).

The management always incorporated elements of organizational data, information and in particular decision, resulting changes in the sensitive objectives, powers and responsibilities of many managers and performers.

There are some experts who bring equate management system company and part of the various subsystems or, most often the information system.

Development of management science reflects the shaping of many systems, methods and management techniques. Management systems and methods can be grouped as two important criteria:

- Functions of management in the pursuit of which is used predominantly;
- Management systems firm whose conduct is used first.

The most commonly used systems and general management methods applied in the companies are:

1. Management by objectives is a management system based on rigorous determination of objectives to the Performers who participate directly in their establishment and the close correlation that rewards and sanctions with the completion of predetermined objectives. Management by objective is defined as a method management based on rigorous determination of objectives to the Performers (directly involved in their establishment) and the close correlation of rewards and i.e., tasks with the completion of predetermined objectives. This method was designed in the U.S. in the postwar period, and is the most frequently used. Management by objectives is a complex structure consisting of six components: system objectives, action programs, calendars of time, budget revenue and expenditure; repertoire methods and techniques, instructions. The targets include fundamental objectives, derivatives, specific and individual.

2. Management by projects is a management system with a limited duration of action, usually several years, designed to solve complex problems, precisely defined, with a strong innovative character, which involves consideration of a wide range of different specialists, the subdivision different organizational, temporarily integrated into a self-organizational network.

Today, project management seems to have passed the quality management approach. Researchers Gray and Larson (2006), believes that is being given increasing attention to the role of projects within organizations.

Projects are, little by little, important tools necessary to establish and achieve strategic objectives. Ranging from fierce competition in world scale, many enterprises have focused their



activities around the philosophy-innovation, renovation and learning to survive. Such a philosophy implies that the undertaking should be flexible, to focus development projects. Project management is developing as a professional discipline possessing its own set of knowledge and skills.

Giard shows that project management involves two major functions: steering a project by project leader or project manager and project management provided by a controller project or more control, if necessary. Further, Giard believes that ".*Project management is a concept much broader than that used by Áfitos (French Association of Engineers and Technicians Estimation and Planning), because it calls too much about tool and corresponds to a classical vision of the original definition and corrects a problem that must is to find a "solution".* A similar position has Grigorescu Giard, after presenting seven definitions (other than that of Giard), proposes the following concept: "*Project Management is the professional ability to obtain the result of a project that is achieving its purpose by organizing a team, combining effective management techniques and methods appropriate and use the most effective schemes of work and implementation routes*"(Grigorescu, 2007: p: 142).

3. Management of the product is a result of the renewal of products under the impact of scientific and technical revolution and intensifying market competition, the dependence becoming more pronounced efficiency firm's ability to design, assimilate, produce and commercialize certain features in the relatively limited. This management approach is to award the main tasks, skills and management responsibility to a person who deals exclusively with the decisions and operational activities for maintaining and enhancing the competitiveness of a product or a similar product groups, with significant weight in the production company.

4. Management budget is a management system that provides forecasting, monitoring and evaluation activities of the company and its main components procedural and structural with aid budgets. Is a management approach that virtually all functions of process management (forecasting, organization, coordination, training and monitoring-evaluation) are carried as accounts using monetary units.

Premises Management by Budgets is essentially the following:

- design an organizational structure to enable clear separation of duties, responsibilities and powers for each organizational echelon the enterprise;
- the enterprise is divided into administrative centers or procedural bounded structurally, each level being launched budgets are set targets, expenditure, revenue and results;
- designing an information system centered on the recording, transmission and operational analysis of deviations from the expected expenditure;

- general and analytical accounting adjustment to the requirements in determining actual costs, taking into account the deviations from the standard costs (Nicolescu, Verboncu, 1995: p. 275).

5. Management by exception is a simplified system based management circulation of circulation of information reflecting upward deviations from the set tolerance limits and the concentration of the best managers and specialists in key areas of operational decision-making and business competitiveness. It is a method that consists in a manager located on a certain level hierarchical decision-making authority has for a number of cases of misconduct to activities conducted by the predetermined levels. According to the method, the manager is required to identify all cases of irregularity of work from a predetermined level and communicate it to that manager, of course, located on a higher level, which has received the delegation of authority required.

6. Participatory management is the performance management process by involving a larger number of managers and performers using a variety of means, including participatory institutional bodies occupy a central position (Nicolescu, Verboncu, 2001: p. 280).

**CHAPTER IV**  
**MANAGEMENT OF HUMAN AND VETERINARY PHARMACEUTICAL DRUGS**  
**DISTRIBUTION**

**4.1. PHARMACEUTICAL DRUGS MARKET**

**4.1.1. Pharmaceutical marketing: definition, features**

Unlike other fields, the specific of the pharmaceutical marketing lies in that the pharmaceutical industry creates and produces the drug that is not a common product, will not be bought freely or at the consumers choice. The drug is a special product directed towards the patient, in order to heal diseases, protect or improve its health.

According to Bucurencu, the pharmaceutical marketing is a sub-specialty of marketing that can be defined as a process by which the market of pharmaceutical products and services can be updated (Bucurencu, Cuparencu, Ponoran, 1999). This definition has some advantages, as it underlines the pharmaceutical care, the pharmaceutical services and not only drug preparation and release. Any article, service or idea needed to anticipate and eliminate the borders of pharmaceutical assistance can be taken into consideration, in case of a pharmaceutical market.

The pharmaceutical marketing has a wider understanding than the drug marketing as it includes the highly specialized pharmaceutical services, offered by professionals in the field. In this definition, the accent falls on the pharmaceutical care offered to the patient, underlining that the justification for pharmaceutical market extension is the patient and not the drug producer or vendor.

Pharmaceutical marketing differs from the general marketing by the following features:

- It refers to a drug prescription market for the ones included in the ethical category (whose target of marketing efforts is represented by the physician) and not a buying one, as the patient does not have decision power in choosing the product;
- The field of action of marketing efforts is controlled by numerous restrictions and regulations included in legislation, regarding drug production, selling and release. At the same time, the drug producers are also preoccupied by marketing, but in a special way, the nature of their activities imposing a special ethics (Singer, 2006);
- Selling of pharmaceutical products is not free, it is controlled by the fabrication authorization in order to be able to sell drugs;
- The existing pharmaceutical products are recorded in the Nomenclature of pharmaceutical products approved yearly by the Ministry of Health (Order of the Health Minister no. 287/2009);

- Drug production is carefully controlled, batch by batch, within the enterprise laboratories as well as the territorial LCM's, drugs prescribed and prepared inside the pharmacy, are carefully supervised by pharmacy inspection;
- Establishment of selling price towards the public is not free;
- Advertisement of a drug is severely regulated and submitted to a continuous control; it addresses the physicians that prescribe and the pharmacists that can make replacements but rarely address to the beneficiary, the patient;
- Distribution does not leave place for differentiated initiative, it goes through drug deposits and pharmacies;
- Elaboration of a complete file in order to obtain the fabrication license for a product sums up years (5-10) of efforts and investments, especially in research; for each minor innovation of presentation or change of indications a new authorization is required;
- Consumer of pharmaceutical products does not decide, this is the significant specification of drug industry regarding marketing;
- Unlike other industrial products drugs have never known a phase of silence, it is submitted to permanent examination.

According to Brandabur, the buying function of a product is accomplished by the contribution of four actors:

- the physician that prescribes the treatment;
- the pharmacist that distributes the treatment;
- the patient that beneficiates from the drugs and pharmaceutical services;
- the governmental institutions (or the paying third party) that partially pays for the drugs consumed by the patient according to the respective laws (Brandabur, 2006).

The co-marketing phenomenon can occur on the pharmaceutical market, which consists of placing the same product on the market by two or more companies (for instance Aspirin Bayer, Acid acetylsalicylic from Sicomed, Upsarin from Upsa, etc.), under different denominations, each having its own prestige.

In what advertisement is concerned, it has to be objective, as the drug must be presented at the same level as the promises made. Any deviation can be fatal for the producing company as drugs address human health. *“Unlike other products, as it has a major impact on human body, the pharmaceutical product must fulfill, before anything, conditions higher than the pure commercial*

*interest. Important resources are spent to develop innovatory drugs and special attention is given to patient safety” (PulsMedia.ro/ Farmacist.ro, 2007).*

For drug producers, informing precisely the physicians and pharmacists but also patients, represents a moral duty and an economic necessity, in the same time. It is counterproductive for the drug producer and harmful for public health to hide an important discovery, but also to give false hopes or hide confirmed risks. Correct information allows the physician to take responsibility for prescribing a drug. It is essential for professionals but also patients to receive correct information for the products offered for treatment, as a reply to the imperatives of keeping population healthy.

The commitment of the producer regards all aspects of marketing, including quality management of the product as well as information, from all points of view, addressed to the ones that prescribe or consume drugs.

Ponoran says that pharmaceutical marketing does not represent only selling drugs and advertisement but also other activities like: updating the pharmaceutical markets (Bucurencu, Cuparencu, Ponoran, 1999).

Update of pharmaceutical markets for pharmaceutical assistance indicates that all activities included in anticipation, widening, facilitation, completion, deficiency elimination of pharmaceutical assistance are found in field pharmaceutical marketing. In other words, pharmaceutical marketing is not static, passive, but a dynamic process influenced by the actual necessities of continuously changing times.

#### **4.1.2. Pharmaceutical product market**

##### ***4.1.2.1. Particularities of pharmaceutical product***

The specialists appreciate that the 20<sup>th</sup> century will be remembered for the numerous technological realizations, including a better understanding of the atom structure, “*the informational boom*” favored by the computer technology, the news coming from space exploration. If we were to evaluate its importance from the point of view of its impact on human life, the 20<sup>th</sup> century could be called THE DRUG AGE. Many experts agree that by the end of this century the pharmaceutical products will have a bigger importance for our lives because of the progress made in neuro-biology, immunology, molecular biology, cell differentiation, studies on the cell membrane, and genetic studies, thus there is no surprise that the biochemist Chain, awarded with the Nobel prize, has defined the drug as one of the biggest blessings of our times.

Important funds are driven in pharmaceutical industry towards research and development, while few understand and appreciate the contribution of the pharmaceutical marketing system and

by the professionals in the field. They make drugs accessible at the right moment and right place, in the right amount, at a reasonable price and with all the information needed. Lack of information and appreciation of the efforts of marketing comes from the numerous barriers and misunderstandings related to the role of marketing in the pharmaceutical industry as well as the lack of understanding of the significance and content of the pharmaceutical marketing notion.

Just like any other market, the segmentation of pharmaceutical market is inherent, as no producer delivers products to a single consumer. The sum of requests refers to the individual requests of all potential buyers. Any market is made up of a number of different segments, each of them being made up of a group of buyers or buying units (in the special case of pharmaceutical industry, the ones that prescribe, or prescribing units), that divide the qualities, that make this distinctive segment and that give marketing a significance.

The importance of sub-classification within the market is easy to illustrate, in case of ethical drugs. It seems clear that no individual escapes classification in a certain zone of the prescribed drug market. Therefore, if we talk about ethical drug market in general we probably have to include the whole population.

The pharmaceutical market is unique in what the importance of the influence of the decision factor is concerned on the act of buying. The latter is not free, does not belong to the patient, but is controlled by the physician.

Therefore, the target market for drugs is made up by the physicians that prescribe them. As the decision power belongs mainly to the physicians, it is necessary to classify physicians just like patients.

Another particularity of the pharmaceutical market is represented by the importance of the disease factor. With little exceptions, the incidence of the disease is an important criterion of classification for the identification and evaluation of the market of a prescribed pharmaceutical product. The value of the incidence of disease is decisive for the efforts of drug producers. It is possible that the relationship between the statistics of the disease and marketing decision taking to be less evident.

Because of the almost unlimited possibilities of identification for various pharmaceutical markets, the most common approach in studies refers to the medical prescription market.

In order to be able to identify consumer's needs, in order to concentrate the effort of marketing, the pharmaceutical market presents this aspect; unfortunately, the patient is just a patient. It cannot choose its treatment.

The mortality rate is important in decision making regarding the significance of this feature as market factor. The statistics point out significant modifications of the main causes of death today,

one of those being influenced by the use of various drugs that led to the eradication of certain diseases or to the increase of life expectancy within the population. For pharmaceutical marketing those data are important as they can influence the research direction for future drugs.

By combining this information with other data, like selling competitive products, the efficiency of a new product, and the success of new products in the past, a basis can be made up in order to ensure the success of newly introduced products.

The modern pharmaceutical marketing seems to avoid the mistakes of the past, by lacking orientation towards the real necessities of the market. Nowadays, a better preoccupation towards the market is revealed, as a first step in product development. We must show that the pharmaceutical market does not refer only to drug products but also to pharmaceutical services that follow and that are not yet paid by the social health insurance system.

#### ***4.1.2.2. The dynamics of pharmaceutical market and its segmentation***

The two parts that participate in the exchange within marketing operations make up the request and offer. They are influenced by numerous economical, social, environmental factors, as well as the characteristics of goods, the nature of selling the socio-economical status of buyer's accessibility of other goods and resource alternatives.

The industry of prescribed drugs is influenced by the main characters of request and offer, just like in any other industry (Voicu, Caraușu, 2004). For drugs it is well known the fact that request could be influenced by a third or even fourth part, compared to the traditional buyer-seller relationship.

For each drug it is known that the demand is also influenced by a third or a fourth party along the traditional relationship salesman-customer.

Request as well as offer is influenced by internal and external factors.

The majority of marketing activities lead to the modification of required quantity. If request can be stimulated only by promotion, it is said to be expansible. The expansibility of request must not be confused to the elasticity of request.

The elasticity of request is determined by the size of sales increment for a product or mark, as it results from promotion, without a change of price. This feature is known as promotional elasticity.

The most frequently discussed relation is the interface of request-offer is the one between price and quality. For some products, a reversed variation can be observed between quantity and price, but price has been the least efficient way of competition for industry. Of course, for drugs this

kind of associations cannot be made because a product will be bought for treating a disease no matter the price.

Price and quantity are being associated most frequently in most request analysis. The elasticity of request is a term usually used to indicate the effect of price modification on the quantity demanded from a certain good.

Five types are known that describe the various degrees of elasticity:

- the perfectly elastic demand;
- the elastic demand;
- the demand with unitary elasticity;
- the non-elastic demand;
- the perfectly non-elastic demand.

The most frequently met types are the elastic and non-elastic demand. In drugs, as we have shown before, the most frequent situation is the non-elastic request. Thus, modifications of the price of prescribed medication do not lead to proportional modification of the demand. For example, it was observed that the modification of price of quinine from the 70s did not lead to major changes of demand volume.

To admit as a principle that needs and wishes of consumers should be researched is quite easy. In reality, the application of this principle is more difficult as needs and wishes do not manifest obviously. Motivations should be discovered to show the habits and behavior of consumers, especially their buying behavior.

Segmentation of market implies the identification of segmentation criteria and characterization of the resulted segments. Segmentation can be made taking into consideration various criteria: epidemiologic, release (with or without prescription), demographic, payment (with or without compensation), etc. The main criterion, according to Cuparencu, that must be taken into consideration by the producer is the epidemiological one, as morbidity on various groups of diseases. The resulted segments (the main diseases) are characterized by a specific morbidity of the specific country (Bucurencu, Cuparencu, Ponoran, 1999). The study of motivation is not sufficient anymore. It does not help to know that an individual or another behaves in a certain way for a certain reason. Elements must be found that are common for various individuals that could make up groups. The company cannot sell to a single individual. The practical objective of market analysis is the research of relatively homogenous groups that show similar desire to satisfy a certain need.

If this need covers an interesting selling potential little or not exploited by the concurrence the company can start producing a new product, adapted to this need and according to its potential.



The traditional marketing study is not sufficient, even if it means a statistically measurable segmentation. The action idea contained in the marketing term of “market conquest” needs a complex research and must use sophisticated techniques. In marketing research, in this stage technical, technological information is collected as well as data that describe the client needs and concurrent products. Questionnaires are being elaborated and marked investigations are performed. On the results of the investigation the nomenclature of functions is established and the levels of importance of functions in clients vision are determined (Stancu, 2004).

## **4.2. THE DRUG DISTRIBUTION IN THE EUROPEAN UNION AND ROMANIA**

### **4.2.1. The en-gross distribution of drugs – EU regulations**

In the same directive 2001/83/CE art. 76-85, the legal conditions that must be imposed by national laws is established, regarding the activity of en-gross distribution of human use drugs. The most important refer to:

- the obligation of each state to regulate en-gross drugs distribution based on preliminary authorization from the producer, which implies checking for:
  - premises, devices and suitable, sufficient equipments in order to ensure a good conservation and distribution of drugs;
  - personnel, especially checking for the designated, responsible person, qualified according to legal requirements of that particular state;
- the obligations of the en-gross distribution titular are:
  - to ensure access to premises, devices and equipments, at any given time for those authorized to inspect;
  - to avoid obtaining the drugs from others than authorized people, according to the legislation;
  - to avoid providing with drugs unauthorized people, according to the legislation;
  - to have an emergency plan for withdrawing of a certain drug from the market;
  - to keep the appropriate documentation in order to supply information for each inside and outside operation of drugs, information concerning: date, name of the drug, the quantity received or supplied, the name and address of the provider or addressee;
  - to keep that documentation for a period of 5 years, in case of inspection from authorities;

- to supply on demand a document that allows the unit authorized to sell drugs to patients, to know data about: date, name and pharmaceutical form of the drug, supplied quantity, the name and address of the provider and the addressee;
- to comply with the principles and guiding lines of good practice in distribution.

At en-gross drug distribution level, the guiding lines of good distribution, on a European level, have been established through directive 92/25/CE, which has been abrogated by directive 2001/83/CE. In case of en-gross drug distribution, the rules of a good practice must imply guidelines referring to quality control through obeying standard procedures in every component activity (provision, reception, storage, manipulation, ensuring orders, personnel, slots and equipments, documentation, recast, reclamation, withdrawal, self-inspection).

#### **4.2.2. Drugs Distribution (release) to general population**

Regarding retail distribution and the release of drugs to the general population, the directive 2001/83/CE regulates with article 70-75, the principles of drug classification based on the released form, which would be decided by the qualified authority, when issuing the release on the market authorization papers.

Thus, the drugs can be classified according to the form of release in:

- drugs submitted to medical prescription, which can be:
  - special;
  - with release that can or can't be renewed;
  - limited, reserved to specialized environments;
- drugs which are not submitted to a medical prescription.

An important aspect of drug distribution is advertising and informing, which in UE are regulated by directive 2001/83/CE, from article 86 to article 100, directive dedicated to advertising and informing about drugs. In this manner, the dispositions that need to be adopted by the member states are regulated, in what concerns the following situations:

- prohibition to advertise to the general public the drugs that are submitted to medical prescription;
- prohibition to advertise to the general public the dope and the psychiatric medications, according to international conventions;
- defining the content of advertisements and connotations of the publicity message;

- defining the obligations of the release - on the market authorization titular concerning the formation of the medical representatives;
- defining the obligations of the release - on the market authorization titular concerning his services of informing about drugs;
- the control of advertising drugs on a national level;
- regulating the castigations for regulation violation concerning drugs advertising.

#### **4.2.5. The surveillance of the activities concerning drugs**

In UE, the surveillance of the activities concerning drugs is regulated by directive 2001/83/CE.

The articles 111-119 of directive 2001/83/CE are dedicated to general dispositions regarding party member's nations' obligations regarding the surveillance of the activities concerning drugs, the regulation and castigations for violation of legal stipulations concerning drugs. Thus, the qualified authorities of member states must supervise the drugs legislation trough regular inspection activities, which will include production and distribution units control, revising the documentation, sampling.

The qualified authorities can suspend or withdraw the release on the market authorization if:

- the drug is considered to be harmful in normal usage conditions;
- the therapeutic effect is defective (the drug doesn't allow getting the therapeutic results);
- the risk/benefit ratio is not favorable in normal usage conditions;
- the drugs does not have the declared qualitative and quantitative composition;
- the information supplied in the authorization file are untrue;
- the drug, components or intermediate fabrication compounds control has not been performed according to legislation.

The directive ends with dispositions (art. 120-130) regarding The Permanent Committee that assists the European Commission concerning the human use drug regulations, general dispositions concerning the communication of information regarding drugs among the qualified authorities on a national and European level, among the authorizations titular's and the qualified authorities, and final dispositions concerning the abrogation of older directives in human drug domain.

In Romania, The National Drug Agency possesses the main attributions in drug related activities. The dispositions concerning the surveillance of drug related activities, the regulating of the drug stipulations violations are regulated by law number 95/2006, Title XVII Drug, art. 823-838.

**CHAPTER V**  
**STUDY REGARDING THE MANAGEMENT IMPROVEMENT**  
**OF PHARMACEUTICAL PRODUCTS OF HUMAN AND VETERINARY USE**  
**5.1 PURPOSE, OBJECTIVES AND HYPOTHESIS OF RESEARCH**

This PhD Thesis wishes to resolve a series of problems regarding drug distribution management and other aspects concerning the distribution activities and improving the distribution management of pharmaceutical products.

The present study intends to highlight important aspects of drug distribution activity and to reveal problems concerning the drug distribution management.

Also, it intends to objectively evaluate the drug distribution management in relation with some quality pointers such as: taking and delivering orders, the duration of the delivery period and the close cooperation among partners in order to eliminate problems.

The study is based on the hypothesis that the efficiency of distribution activity is related to a good management, meaning fulfilling the promises made to clients in due time.

In the present research, we have used concepts that later have become operational in order to build a questionnaire for research purposes.

Among the concepts we have used in our research, the most important are:

- Distribution: way of pharmaceutical products distribution;
- Drug: natural or synthesized substance used in order to cure or improve a condition or illness;
- Delivery: supplying with the pharmaceutical products;
- Logistics: delivery flux, composed by physical distribution operations between the producers and the final consumers;
- Partner: any organization, institution, firm, company which carries on a common activity in the distribution channel.

**5.1.1. Defining the research coordinates and the information sources**

In the present research, the participants of this study were represented by important companies in Cluj Napoca, companies dealing with pharmaceutical products distribution. Each participant was presented with a questionnaire to fill out.

The interview within the research used the method „face to face” in order to eliminate the non- responses or any other unfit response which would have invalidated the questionnaire.

The acquired data was analyzed, centralized and processed in order to be used subsequently.

The research took place in 2009, from 20th of May until the first of October, at the location of the four pharmaceutical companies previously presented.

Within the research, the people chosen to be investigated were among the personnel of the inquired pharmaceutical companies. Those people have willingly answered the questionnaire and the interview. They had different jobs inside the companies and they worked in different departments.

### **5.1.2. Work tools. The questionnaire and the interview**

In the present research, we have utilized a questionnaire built-up with the purpose of highlighting several aspects regarding distribution management.

The questionnaire has 15 items. The items were chosen in order to find out the opinion of the participants regarding general problems in distribution management, on one hand. On the other hand, they had to give their opinion about problems in distribution management in their firm.

The questionnaire represents „ a basic tool used in order to acquire data; it influences largely the success of the research” (Jugănar, 1998: p.36).

Making up a questionnaire involves studying economic, statistic, sociologic, psychological papers because it is a difficult problem, with implications in a variety of fields.

The questionnaire has a role and an important position in marketing research because it translates the objectives of the research into real, specific questions in order to obtain the desired data from the investigated subjects.

Although there is no general, valid pattern for making up questionnaires, the practical and theoretical result highlighted the fact that a good questionnaire must fulfill certain conditions: (Paina, Pop, 1997:p. 40):

1. it has to be as short as possible, but still to contain all the necessary questions in order to obtain relevant, significant data;
2. it has to be suited to all investigated subjects, meaning:
  - it has to have an explicit content for all subjects;
  - it has to use an appropriate language according to the intellectual level of the participants;

- it has to be easy to fill out, in a concise, interesting, fluent and logical manner;
- it has to be easily processed, allowing a quick recording of responses and their codification;
- it has to allow charting the data;
- it has to transmit participant's feelings, opinions and thoughts, their evaluations and recommendations in order to satisfy manager's need of information.

The questionnaire is presented in Annex 1.

We have investigated a number of 47 participants, with the following structure:

**Table 5.1. – The batch of participants in the study**

<b>Nr. crt.</b>	<b>Funcția respondentului</b>	<b>Compania în care activează</b>	<b>Număr de respondenți/funcție (persoane)</b>
1.	Operațional Manager	Mediplus Exim	1
		Farmavet	1
		Montero	1
		GSK	1
2.	Asistent Manager	Mediplus Exim	1
		Farmavet	1
		Montero	1
		GSK	1
3	Reprezentant medical	Mediplus Exim	4
		Farmavet	3
		Montero	2
		GSK	3
4.	Agent distribuție	Mediplus Exim	3
		Farmavet	2
		Montero	2
		GSK	4
5.	Distribuitor	Mediplus Exim	4
		Farmavet	3
		Montero	2
		GSK	7

If we take into consideration the total number of questionnaires applied to each firm, we can highlight the following structure:

**Table 5.2. - The questionnaire assessment in companies**

<b>Nr. crt.</b>	<b>Compania</b>	<b>Număr de chestionare valide interpretate</b>
1.	Mediplus Exim	13
2.	Farmavet	10
3	Montero	8
4.	GSK	16

By processing the acquired data, the following aspects have been highlighted:

- 65,9% of the participants were males;
- the majority of the participants (53,19%) were between 31 and 40 years old;
- most participants have been working with their companies for over a year but no longer than 3;
- in relation with the age question, the responses confirm the fact that distribution is a highly consuming activity, thus it employees people between 31 and 40 years old, from at least two reasons:
  1. for those with medium level of management, this age group justifies the experience needed in order to face the responsibilities and to administrate people and money;
  2. for others (such as agents or salesmen), this group of age confirms the fact that, in order to achieve a higher rank in drug distribution domain, experience is required. This domain deals with complex products, thus it needs different training courses, communication skills, negotiation skills and all that take time.
- the distribution management is an activity that requires certain communication, coordination, planning skills. The participants in the study stated that they posses the basic knowledge in distribution management, which makes them professionals;
- it is mandatory to recurrently train the personnel in the distribution department, as well as other departments (sales- marketing department) about specific department activities and their relations with the rest of the departments in the company or with the exterior (clients);

- at present, client's orders are transmitted through the human factor (distribution agents), but in the future, most orders are going to be transmitted electronically;
- the degree of accomplishing orders is high;
- the management and the personnel are trying to shorten the period of time between taking an order and delivery;
- accomplishing extra orders and satisfying forced orders;
- cooperation in resolving problems when there are deteriorated drugs or incorrect orders;
- issuing and cashing bills on time;
- the partners professionalism is taken into consideration when relationships are developing;
- the importance of acquiring necessary data in making decisions;
- management evaluation by the personnel inside the company.

## **5.2. CONCLUSIONS AND PROPOSITIONS**

Drug distribution constitutes a major aspect of pharmaceutical market and also of general population's health. The medicine once is prepared from a therapeutic and safety point of view is ready to be launched on the market. In that moment the evolution on the free market give it an economic aspect.

In Romania, it appears that the drug producers cannot deliver their products directly to pharmacies or final consumers, because there's a mandatory intermediate link: a pharmaceutical warehouse.

In what concerns retail distribution market, meaning pharmacies, one can notice a big increase in their number, mainly due to private initiative in this area. According to our data, both the number of pharmacies and storage facilities has increased, and so was the drug retail and wholesale volume.

Drug distribution suffers more acute from focusing tendencies than the producers market. The pressure put on by the competition intensifies while the growth rhythm of pharmaceutical market decreases. There are distribution standards and the companies are trying to stand out by offering services and by taking on other companies to help them evolve.

In order to improve the distribution activity, the orders from the consumer to the supplier need to be on time and the channels of distribution need to be viable and efficient.



Drug distribution management is still in the progress phase, as we can see on the pharmaceutical market. It's going to take a long time before it reaches a peak in what concerns drug distribution.

The services offered have become lately the main aspect of economic competition, and even more, by studying the customer's wishes, it has been proven that the pharmaceutical products are bought for the services they supply more than for themselves.

In our opinion, the services offered to customers – as a component of distribution management – can play a more important part in customer satisfaction than any other tangible characteristic of a pharmaceutical product when it comes to selling and buying.

The intense contact with the customer is, in our opinion, equally important and it influences the characteristics of a product. And thus – the role of management which is to observe the motivation and training of personnel in such a manner that the contact with the client will have positive results and so that the clients will benefit from a pleasant experience. We believe that it is still the management's job to offer a professional image to the company so that the clients feel the authority and the professionalism of its personnel.

In our opinion, the quality textbook has a particular important role; it is the central document that lies at the foundation of the quality system in a company. This textbook declares the company's purpose regarding quality control, standards and internal quotes of quality for all the procedures that take place. It also states the markers and their boundaries, actions and procedures in order to ensure quality.

The textbook helps every employee and it help the management to evaluate, at any given moment, the quality control situation. If a client, for example, wishes to evaluate the quality system of a given firm, he can ask, at any time, the quality textbook and he can check all aspects of procedures that influence the quality of the final product.

Also, we feel that this textbook is especially important because it regulates the principle of orientation towards the client, the firm's commitment to meet the present and future expectations of the clients and even to surpassing them.

But, at the same time, we do not deny the importance, the special role of satisfaction inquiries, complaint management, mystery client method and even benchmarking, in regulating commercial strategies, although these methods have the great disadvantage of being very expensive.

We feel that in the present economic situation, the quality of services offered to clients should be looked upon by Romanians distributors as a warrantee to ethical and consistent management practice, thus proving their integrity and the honesty on the market.

In order to evaluate the efficiency of the management activity, we suggest as a necessity in every firm to take into consideration the following:

**1. *The capacity to elaborate and implement competitive strategies and policies:***

- The existence and the quality of the company's strategies;
- The existence and the quality of global company's policies;
- The existence and the quality of the company's policies in commercial, personal, financial, investment areas;
- The degree of structure in planning activities.

**2. *The structural flexibility of the company (which will be influenced by research and client oriented policy):***

- The size of the management device;
- The average hierarchic weight and the hierarchical weight of the main leadership categories;
- The number of hierarchical levels
- The name and number of compartments that make up the structure;
- The size and the efficiency of the management team;
- The structural degree of tasks, attribution, responsibilities in jobs and departments;
- The actualization of performance and organization regulations, of job descriptions.

**3. *The decisional rationalization of the company:***

- The style of decisions, on different hierarchical levels;
- The correspondence between decision and the hierarchical position of the one who made the decision;
- The use of modern decisional techniques in order to improve the certainty, risk and uncertainty decisions;
- The capacity to consolidate major decisions regarding the market and the relationship with business partners.

**4. *The quality of the software system:***

- The degree of endowment with modern technique;
- The main software application used;

- The promptness of management report on all hierarchical levels;
- The report degree in the firm regarding evolutions on a national and international level;
- The communication capacity and the information flows with other companies.

**5. *The availability for implementing and usage of systems, methods and techniques:***

- Evolved management methods and techniques which were implemented;
- Evolved management methods and techniques which are on their way of being implemented.

**6. *The level of interest for managers, specialists and other employees:***

- Job market fluctuations for each of the these categories;
- The average salary range in the company compared to the average salary in the area and even compare with the salary on national level.

In our opinion, in the present situation, the biggest challenge for companies that unfold their activity in the pharmaceutical product distribution area and offer sales sustaining services, is to adapt to market laws – meaning to increase efficiency, but at the same time, to maintain or to increase the quality level.

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