Managing Brand Portfolio in a Crisis:
The Case of a Pharmaceutical Company in Egypt

Rafic Nadi
American University in Cairo, Egypt

Ahmed Tolba
American University in Cairo, Egypt

ABSTRACT

Branding in pharmaceutical markets is more challenging than any other market due to the enormous regulations and restrictions from governmental bodies like MOH, Ministry of Health. This case tackles a real challenge that one of the leading pharmaceutical companies in Egypt is facing. Since the company has a well-established brand that has been in the market for more than 30 years, this brand has strong brand equity and is well known by consumers, end users. In the past 5 years with the devaluation of the Egyptian currency, the price of the active ingredients increased. Accordingly, the gross margin of the brand was highly affected, to the extent that it reflects losses in the net operating income. In any other market, it might be an option to increase the price and enhance the gross margin, but in the pharmaceutical industry, companies are price takers and only MOH has the right to set the price.

DEFINITION

A serious situation, a mega brand that has been the cash cow for the company is turning into a failure brand in terms of profitability. Yet, still this brand is ranking 3rd in its market, pain market, which is the 2nd biggest market in the country, and has strong brand equity that the company cannot afford to lose. Now the company needs to take crucial decision regarding the brand as it will not be an option to continue with negative net operating income for long time besides it is not an option to lose a mega brand in a large market.

In the Marketing Manager's office, Amr Shawky, the marketing manager is thinking about the business case that he needs to present to the vice president of the company in few days. Suddenly the door knocks and the sales manager of Sonalfen brand, Tamer Hakim, came in holding his laptop and seems worried.

"Hi Tamer, I am thinking about Sonalfen business case. I am extremely worried about Sonalfen's future. This brand is a legacy in the company, and we cannot afford stopping it. As you know, the net operating income is now negative. We have request price increase from Ministry of Health, yet it was refused. We need to think of alternatives to get out of this situation with minimal losses." Said Amr.

"Yes stopping Sonalfen without clear direction will be disaster. It is one of our biggest brands with high sales turnover, in addition it is well known by consumers, and requested by name among 150 other brands in the market. I cannot imagine that we can simply sacrifice this brand equity that took us years to build, I am sure we will find a solution" Says Tamer.

Amr replied "Of course, I have been working in this company for more than 10 years. Sonalfen has been our cash generator till 2004, when we suffered from devaluation of the Egyptian pound. However, the brand remained profitable, but not at the same level. Then in 2011 with the raw material price increase and the devaluation of our currency after the revolution, Sonalfen became a brand that negatively affects our net operating income. We need to study all the pros and cons of possible courses of action to present a solid business case to the VP."

The pharmaceutical industry develops, produces and markets drugs licensed for use as medication. There are different categories of medicine like:

- **OTC Pharmaceuticals and Prescription Drugs:** Over the Counter (OTC) pharmaceuticals can be taken with no need to a prescription in contrast to prescription drugs.
- **Patented and Generic Medicine:** Patented medicine is the original one that is firstly produced and generic medicine is the copy of the original medicine. Patents form the major percentage of the value of drug demand. On the other

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