

PHARMACEUTICAL COMPANIES BETWEEN CRISIS AND COMPETITIVENESS - SECTORAL DIAGNOSIS

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Abstract:

The evolution of the pharmaceutical industry was a positive constant with the indicators of industrial production even in years of crisis. Although the economic crisis in Romania decreased average growth rate of pharmaceutical companies, market value is expected to increase.

The explanation comes from the fact that in order to boost productivity, pharmaceutical companies are turning to emerging countries with aging populations such as open new markets for future development. Add to this the recent health policies implemented by newly industrialized countries that are aimed at ensuring increased access to care.

Analysts see the field phenomenon called "Farma-merger" a good chance for European pharmaceutical companies oriented to developing countries where drug sales should record a double-digit annual growth until 2017.

In Erste Group reports stated that the impact of the crisis on the pharmaceutical industry should be limited markets for EU only their economic slowdown. This will be possible because the external indebtedness of pharmaceutical companies in the EU remains at a minimum, they are able to finance their investment plans without tapping financial markets, are not adversely affected by the current limited availability of credit resources. Therefore major pharmaceutical companies in the EU will remain a solid investment on the long term, the negative developments are limited due to high resistance to the crisis their business model segment "generic".

The consequence of these developments is reflected in the recognition for the first time, the pharmaceutical sector as a strategic sector for the Romanian economy. In the context of public debate launching the National Strategy for Competitiveness 2014-2020, Generic Medicines Industry Association of Romania (APMGR) local pharmaceutical industry reminds the Government proposals on correcting the current fiscal and operational regulatory framework, to allow unlocking investments in facilities local production and increasing the stability of the business environment in this sector.

Key words: diagnosis, competitiveness, crisis, pharmaceutical companies

JEL classification: M10, M40

1. COMPETITIVENESS - EVOLVING CONCEPT

The literature reveals, on competitiveness, a complex concept, difficult to catch in a comprehensive definition. The complexity comes from the numerous indicators that may be relevant sources of competitiveness that are not always the same for all the domains or enterprises.

In a general manner, Explanatory Dictionary of the Romanian language (<http://www.archeus.ro/lingvistica/CautareDex?query=COMPETITIV>) provides for competitive explanation "*Suspected of support competition; where it can compete where competition is possible. In other words, competitiveness is the ability of a system to cope with competition being tied to a given competitive environment and the ability to obtain performance after participating on the profile market*". (<http://ro.paradox.wikia.com/wiki/Competitivitatea>)

In the economic competitiveness of a state express complex and dynamic economic system, the potential competitive advantages and become effective regardless of the position held: global (global/international), regional, national, sectoral, organizational, product/service, individual, mirroring, as defined by the Statistical Office of the European Union (Eurostat)

(<http://ec.europa.eu/eurostat>), their ability to generate a sustainable manner and in conditions of competition, a level of revenues and occupancy levels/use of relatively high makers.

Although the literature searches are, most often, definitions of the size of its global competitiveness, macroeconomic, regional or national, it points out that the level is the microeconomic competitiveness is generated and it supports macroeconomic competitiveness.

In *macroeconomic* perspective, considering the fact that this is the level at which support and reinforce competitiveness, it refers to the ability of a nation to form an environment economically, socially and politically to support accelerated creation of added value (Constantin Ciupagea, coordinating, *Directii strategice ale dezvoltarii durabile în România*, European Institute of Romania Study III, 2006: http://strategia.ncsd.ro/docs/comentarii/3_fc.pdf). A country becomes competitive when you manage to build that climate that allows each company creating added value to be efficient, to be able to survive or grow in any domestic or international economic environment. The country maintains or improves its profitability internationally when it decides to apply the set of economic policies required to foster the achieving optimal expansion at the micro level.

At *microeconomic* competitiveness you essentially internal conditions, the companys, conditions expressing all components and functions that define and identified the following competitive categories:

- ✓ global competitiveness
- ✓ financial competitiveness
- ✓ commercial competitiveness
- ✓ human resource competitiveness
- ✓ managerial competitiveness
- ✓ technical competitiveness, material resources
- ✓ organizational competitiveness.

Basically, a company is competitive when under the influence of operating conditions (material resources, human, financial, technical, managerial and marketing capabilities, etc.) achieve a sustainable advantage over competitors (on costs, prices, diversity and quality of supply, market share, profits, growth/development, sustainability), giving it the strength to face competition by responding to customer goods (by price, quality and diversity) and economic performance remunerates them according to participants marginal productivity of factors of production that they own.

Competitiveness is seen as part of the company's performance, inextricably linked to the concept of competitive advantage (competitive advantage) obtained the right combination of resources (infrastructure, finance, technology, people) with some competitive processes (quality, service, adapting to customer needs quickly).

Regarded as a quality that allows the company to face competition in a particular sector of activity, competitiveness is a way to pressure and control over the evolution of economic performance parameters.

Globalization has brought increased interdependence of national economies favored by reducing and eliminating obstacles of all kinds in the way of international flows of goods, services, capital and labor, accompanied by more intense competition:

- ✓ between firms, to occupy a better position as the market;
- ✓ between countries, to create a favorable business environment that will attract capital and talent, wherever they are in the world (Theodor Stolojan, *Globalizare și competitivitate*, http://econ.unitbv.ro/ed/pag-rom/cursuri_on_line/globalizare.html).

Distinguished today as sources of competitive advantage designed to make a sustainable business in a global economy:

- ✓ classical sources of competitive advantage: economies of scale, standardization of products backed by operations being carried out at lower costs, in case a higher production volume;
- ✓ mix of resources (infrastructure, finance, technology, people);
- ✓ competitive processes (quality, service, adaptation to customer needs, speed);

✓ knowledge as intangible resources of the company to be acquired and developed within the company in a *"knowledge economy"*. This is an economy in which welfare is created through knowledge management and not by the financial and physical assets;

Knowledge is central to the Lisbon strategy of the European Union to become the *"most dynamic competitive knowledge-based economy in the world"*. The *"knowledge triangle"*- *research, education and innovation* - is a core factor in European efforts to achieve the ambitious Lisbon.

✓ *innovation* - will lead to improved products and processes, reduce costs and annual financial results best. This will lead to the development of business strategies that will include aspects of research, development and innovation.

✓ *information* - competitiveness through information, is an activity that requires the acquisition, analysis and exploitation of data, news and information about products, services, customers, competitors and any other issues about the environment in which an organization operates or has interests in order to support top management's decision-making processes of the organization (https://ro.wikipedia.org/wiki/Competitivitate_prin_informa%C8%9Bie)

✓ *stakeholder relations* may also become sources of competitive advantage companies such as Marks & Spencer, Benetton and Toyota have grown very close relationships with their suppliers and dealers, which contributed to the uniqueness of their products and sometimes vertical integration.

✓ *location* can also be seen as an important source of competitive advantage, basic questions as which countries or what region to be chosen for the opening of a branch or even a factory and then what type of activity to be executed in each of locations. Sometimes cultural influences can tell in dramatic fashion word.

✓ *corporate social responsibility, corporate governance*

Interest shown for ethical or environmental sustainability can also be seen as sources of competitive advantage. It adds its corporate governance.

Good corporate governance is a powerful tool for increasing competitiveness, for developing these practices and ensure compliance with the new requirements and trends, easily assimilating opportunities. A transparent decision-making process, based on clear and objective rules, enhances the confidence of shareholders in any company ensuring the protection of shareholders' rights, improving the overall performance of the company, providing better access to capital and risk prevention.

✓ The organizational culture is also an important source of competitiveness for companies. Companies must develop a culture that reflects openness, accountability and focus on development orientation that aim to generate competitive advantages.

Measuring practice the level of competitiveness is considering interdependent factors which characterize (Tălmăciu Mihai, Mihai Costică, *Îmbunătățirea competitivității firmelor printr-o strategie axată pe calitate*, Analele științifice ale Universității Al. Cuza Iași, TOM LII/LIII, Științe Economice, 2005/2006)

- ✓ profitability - the ability to earn money and make a profit;
- ✓ investing profits in the improvement and development activities;
- ✓ improve product quality while reducing costs;
- ✓ expand markets - due to a price / performance advantage for the consumer;
- ✓ increase production capacity and hiring new employees;
- ✓ adapting existing products to changing customer requirements, design and marketing of new products.

Modern management does not regard profit as an objective of the company, but as a means to ensure the existence, development and economic and social goals which it has stability through customer satisfaction and society as a whole.

However profit performance remains a key indicator for the company and its competitiveness, regarded as a consequence of economic objectives - established social enterprise as a reward for success in a competitive market.

Table 1. Size of the competitiveness of the company

The basis of comparison	Indicators
1. Financial Competitiveness	<ul style="list-style-type: none"> ✓ Size profit ✓ Ability to auto financing, loan amount and maturity ✓ Potential financial performance: Return on Equity ✓ Potential solvency: the ability to cope reimbursements
2. Competitiveness commercial	<ul style="list-style-type: none"> ✓ The market, evolution of turnover, profitability threshold, position in the life cycle of each product ✓ Commercial reputation: brand image, customer loyalty, coherent range of products, the advertising budget
3. Human Competitiveness	<ul style="list-style-type: none"> ✓ The skill labor, skill levels, absenteeism rate, enrollment rate
4. Competitiveness technique	<ul style="list-style-type: none"> ✓ Nature equipment: seniority, performance ✓ Technical advances, the importance of research and development, the level of automation ✓ The supply relationships with suppliers, stock rotation
5. Competitiveness Management	<ul style="list-style-type: none"> ✓ Profile leaders: age, experience, education, training ✓ Driving ability: ability command, the delegation, negotiation, the spirit of synthesis ✓ Value collaborators, team cohesion degree
6. Organizational Competitiveness	<ul style="list-style-type: none"> ✓ Shape organizational structure, the number of hierarchical levels ✓ Nature delegating decisions, the degree of decentralization, the information flow ✓ The degree of integration of services to individuals and business objectives, how the completion of targets, the achievement of control, state social climate

Source: Dan Vasile, *Strategii si structuri industriale competitive*, All Educational, București, 1997

2. THE PHARMACEUTICAL INDUSTRY - DEVELOPMENT AND GROWTH ASSUMPTIONS

Europe recognizes the link between health and growth and the importance of their role in providing pharmaceutical industry. Given the fact that access to medicines directly determines the results of national health consequences related to life expectancy and quality of life standards and a considerable impact on productivity, innovation and competitiveness of a state, the European Union issued Motion for the third program of EU action on health (2014-2020), *"Health for Growth"* (Proposal for a Regulation of the European Parliament and of the Council establishing a program *"Health for Growth"*, the annual program The EU action in the field of health for 2014-2020 <http://eur-lex.europa.eu/legal-content/RO/TXT/?uri=celex:52011PC0709>).

The program is geared towards actions with clear EU added value in line with the current policy objectives and priorities of the Europe 2020 strategy.

The Commission stressed that *"promoting good health is an integral part of the objectives of smart and inclusive growth for Europe 2020. Keeping people healthy and active for longer has a positive impact on productivity and competitiveness. Innovation in healthcare helps to successfully addressing the challenge of sustainability in the sector in the context of demographic change"*.

Pharmaceutical companies contribute in a strategic manner to create jobs, education, innovation and financing system, playing an important role for growth and future competitiveness of nations. In fact one of the three industries ranked by the Statistical Office of the European Union (Eurostat) in group *"High Technology"*, the pharmaceutical industry is characterized by high added value. Countries such as Ireland, with an added value of 777314 euros/employee are well above the European average (158453 euros/employee), opposite hovering Romania with only 33396 euro/employee. The High Technology category, according to Eurostat, enter high value-added products from aerospace, computers, electronics and telecommunications equipment, TV and radio,

pharmaceuticals, electrical equipment, armament industry, medical instruments, precision and optical, watches etc.

The pharmaceutical industry is highly globalized, with a particular business model (http://www.minind.ro/presa_2013/septembrie/Sinteza_consultari_Industria_producerilor_farmaceutice_de_baza_25092013.pdf). Within the industry, Research, Development and Innovation (RDI) are vital, the world that concentrates the highest values of investments in research.

In this context, scholars such as (P. Kirkbride, in the work *Globalization. The External Pressures*, Ashridge: Ashridge School of Management, 2001, p. 251) argue that the pharmaceutical industry *"has technological complexity, uncertainty of the future and long-term investments of the energy industry, but on the other hand, it has new product development challenges and pressures that resembles the consumer goods industry"*.

Europe faces new challenges in public health, scientific and economic by relating the (European Commission, Making Europe a center for safe and innovative medicines, http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?DOC_ID=3348):

✓ *globalization and internationalization growing sector of the value chain;*

Globalization offers challenges and opportunities. The emergence of new threats to global health, such as an increasing number of counterfeit medicines or pandemic flu, the internationalization of the value chain and the rise of new actors in the global competition provide compelling reasons for stepping up international cooperation.

In this context two objectives are met:

- Better health protection of EU citizens;

- Improving the competitiveness of European companies by removing regulatory or non-regulatory barriers which impede access to foreign markets and by ensuring fair international competition.

✓ *proper functioning of the internal market in an expanding Europe;*

The proper functioning of the EU internal market is also a major challenge for the future. As regards regulatory issues, implementation and interpretation of Community law by Member States still create obstacles to the free movement of medicines. Excessive requirements also affect competitiveness, especially for small and medium enterprises, without always bringing public health benefits.

There is the possibility of better regulation, for example in the modification of existing authorizations and possibly clinical trials.

✓ *progress in science and technology*

Technologies, therapies and new drugs are emerging. This applies in particular regenerative medicine, personalized treatments, and the development nanoterapiilor. This trend is already affecting the development strategy of EU companies, the industry structure - the creation of small and medium enterprises particularly innovative - concept clinical trials and the way medicines are prescribed. These should be gradually implemented within the EU pharmaceutical industry XXI century.

For companies that are on the market today, the stakes are enormous because powerful innovative products are needed that to fuel further growth and to cover losses caused by the expiration of patents or market protection. At the same time, small firms continue to specialize in different segments of the value chain, resulting in a fragmentation of power between big pharmaceutical companies and specialized firms.

They dominate in this area two business models (RB Helms, *Competitive Strategies in the Pharmaceutical Industry*, American Enterprise Institute for Public Policy Research, Washington DC, 1996). The first is companies specialized in activities that become key players in a segment of the value chain, such as product development, clinical trials and production. The second model is the specialized marketing firms that are integrated into the entire value chain about markets certain products, such as vaccines, HIV treatment, hormones or dermatology.

In preparation for future action, integrated pharmaceutical companies have at their disposal several strategic alternatives:

(Ciulu, Ruxandra, *Abordări strategice în industria farmaceutică mondială*, Revista Management-Marketing: <http://www.managementmarketing.ro/pdf/articole/44.pdf>)

1. are able to focus on specific parts of the value chain, such as cardiology, urology, central nervous system. This strategy will involve companies in a total organizational reform;

2. are able to opt for sections of the value chain, such as the discovery of compounds, product development, production and marketing and sales;

3. are able to continue the current strategy based on acquisitions and integrating new companies into their organizational structures.

PricewaterhouseCoopers (PwC) (<http://www.wall-street.ro/articol/Companii/99964/PwC-Companiile-farma-trebuie-sa-si-regandeasca-radical-lanturile-de-distributie.html#ixzz3f8yXcdlq>)

identified in his report, "Pharma 2020: Supplying the future. Which Path Will You Take? "As the challenge for the coming years that the pharmaceutical industry must radically rethink their supply chains to adapt to rapid market developments and the shift from product to patient. The same report states that "The growing importance of emerging markets, new medical therapies and environmental concerns are putting pressure on supply chains of pharmaceutical companies and there is a risk that many of these are discontinued. Accordingly, PwC believes that the next decade many companies will have to reassess from a strategic perspective and to radically change the model of production and distribution".

Regarding the economic crisis, some pharma sector analysts at Erste Group (www.erstegroup.com/de/Downloads/a160e563.../pi20090129-ro.pdf) consider its impact on the pharmaceutical business should be limited, even if EU markets will also witness a slowdown of their economy. This will be possible because the external indebtedness of pharmaceutical companies in the European Union remains fairly minimal and they can finance their investment plans without tapping financial markets, is not adversely affected by the current limited availability of resources lending. Secondly, regional currencies have continued their weakening trend, to the benefit of European Union pharmaceutical companies focused on export.

While EU markets have experienced crisis pharmaceutical companies' balance sheets Union remained solid, with substantial cash. Generics will keep their status as drugs of choice in European Union countries, and preference will get even more in the West. According to Erste Group analysts, generic drug consumption is about to grow even in times of crisis, as cheaper generic drugs will become increasingly attractive to health insurers, becoming more cost both in East and in the West.

3. PHARMACEUTICAL INDUSTRY IN ROMANIA

Regarding drug market in Romania, 2013 was a favorable one. Even in an economic crisis, while other areas recorded heavy losses, plus the pharmaceutical industry has remained and continues to grow at a sustained pace, according to specialists.

Besides the pharmaceutical industry has become a strategic sector for the Romanian economy being included in the National Strategy for Competitiveness 2014-2020, under which the country's strategic priorities set out in this document are intended to create the conditions that Romania can compete effectively with the rest European countries (National Competitiveness Strategy 2014-2020. (http://www.minind.ro/%5C/strategie_competitivitate/Strategia_Nationala_de_Competitivitate_iunie_2014.pdf))

If in 2008 the pharmaceutical industry was considered to be focused on producing generic and not very competitive, the situation seems to have evolved over time, becoming the sector with competitive potential, smart specialization.

Studies conducted recently (<http://www.lawg.ro/files/assets/userfiles/files/Industria%20Farmaceutica%20din%20Romania.pdf>) it shows that the pharmaceutical industry has seen considerable growth over the last decade in all its segments, reaching to contribute more than 1% to the GDP. Although local manufacturers of drugs are in a minority, they have expanded capabilities production, while the big players in the pharmaceutical industry in Romania have entered the market by acquiring local manufacturers or by

opening representative offices. The total number of drug manufacturers market presence is significant in Romania (184), but the top 10 players, depending on the volume of sales, controls almost 60% of this market. The market drug distribution is restricted to a small number of players despite the difficulties encountered by the pharmaceutical industry since the beginning of the crisis of 2008 have continued to invest in expanding storage capacity.

In terms of sales dynamics, the same study reveals that medicines subject to prescription (RX) gained a larger share of total retail sales, up from 79% in 2005 to 84% in 2011, representing a total 1.9 billion. Drugs without prescription (OTC) lost market share in favor of RX drugs, reaching a total of 0.35 billion in 2011, which equals a 16% share in total retail sales. Innovative medicines represent over 70% of value sales and only 25% by volume, while generics represent 30% of total market value and 75% by volume. Data on generics market in Europe suggests, moreover, that Romania is in fifth place after Poland, Slovakia, Germany and Slovenia in terms of market share of generic medicines. The imports of pharmaceutical products are the main source for domestic consumption of drugs. Price differences of RX drugs which appear between countries led to a parallel increase in exports, particularly for pharmaceutical distributors.

4. PHARMACEUTICAL COMPANIES COMPETITIVENESS OF ROMANIAN

This report aims to brief the addition radiography pharmaceutical field in Romania, highlighting the evolution of four Romanian companies, in terms of competitiveness in 2009-2013.

Currently (at the time of the research) at the Bucharest Stock Exchange listed companies Antibiotice SA Iași, Biofarm S.A. Bucharest, Zentiva SA (formerly called Sicomed) and Farmaceutica Remedia SA, the only company in Iasi Romanian society where the state is still the majority shareholder.

Table 2. Top 10 Romanian companies for 2013

Company name	County	Employees	Net turnover	Net income
TERAPIA S.A.	Cluj	801	500629696	109059553
ANTIBIOTICE S.A.	Iași	1465	318625015	31380855
ZENTIVA S.A.	București	484	290362767	40297608
SANDOZ S.A.	Mureș	257	268037485	21849078
LABORMED-PHARMA S.A.	București	235	141782355	-17969560
GEDEON RICHTER ROMANIA S.A.	Mureș	544	119175198	-44192159
BIOFARM S.A.	București	360	119072518	25581079
BIO EEL S.R.L.	Mureș	165	112690579	1337923
INFOMED FLUIDS S.R.L.	București	409	110651746	3451357
ROMPHARM COMPANY S.R.L.	Ilfov	263	98005719	2320132

Source: <http://www.med-farm.ro/top-10-companii-farmaceutice-din-romania-2013-an-favorabil-pentru-piata-medicamentelor/>

Hierarchies change in 2014, as follows:

Table 3. Top 10 Romanian companies for 2014

Company name	County	Employees	Net turnover	Net income
TERAPIA S.A.	Cluj	859	521047272	86105757
EUROPHARM S.A.	Brașov	213	426324960	-9104204
ZENTIVA S.A.	București	488	394072623	54242886
ANTIBIOTICE S.A.	Iași	1465	320058303	31138739
SANDOZ S.A.	Mureș	270	307301739	10904722
BIO EEL S.R.L.	Mureș	165	140726524	2170440
LABORMED-PHARMA S.A.	București	241	136686016	-20130437
BIOFARM S.A.	București	380	128508056	26559851
INFOMED FLUIDS S.R.L.	București	418	115750485	1877062
GEDEON RICHTER ROMANIA S.A.	Mureș	548	114021588	-56920366

Source: <http://www.risco.ro/suport/comunicate-risco/evolutia-pietei-de-produse-farmaceutice-2014-top-10-companii-92>

The situation Antibiotice, Iasi, listed on the Bucharest Stock Exchange, the size and dynamics of turnover, the operating result, the net result and the average number of employees is shown in the following table.

Table 4. Situation company Antibiotice, Iași

Company	Indicators	The period of analysis				
		2009	2010	2011	2012	2013
Antibiotice S.A.	Net turnover (lei)	219754104	243626062	281847455	304731950	318625024
	Indices of evolution (%)	100	110.86	115.69	108.12	104.56
	Operating profit (lei)	26172761	30562500	32062861	44191919	52297136
	Indices of evolution (%)	100	116.77	104.91	137.83	118.34
	Operating margin (%)	11.91	12.54	11.38	14.50	16.41
	Absolute deviation (%)	0	0.63	-1.17	3.13	1.91
	Net profit (lei)	11916807	12539100	20298909	27110836	31380856
	Indices of evolution (%)	100	105.22	161.88	133.56	115.75
	Net margin (%)	5.42	5.15	7.20	8.90	9.85
	Absolute deviation (%)	0	-0.28	2.06	1.69	0.95
	Average number of employees	1430	1441	1450	1465	1465
	Indices of evolution (%)	100	100.77	100.62	101.03	100.00
	Labour productivity	153674.19	169067.35	194377.55	208008.15	217491.48
	Indices of evolution (%)	100	110.02	114.97	107.01	104.56
	The average salary/employee	33997.89	35365.05	36937.69	36675.68	37742.39
	Indices of evolution (%)	100	104.02	104.45	99.29	102.91
	The average expenditure (‰)	929.30	929.71	912.75	899.45	898.82
	Market share (%)	9.35	8.86	10.15	9.77	11.01
	Added value	109803815	147639567	170426273	184358122	203450879
	Indices of evolution (%)	100	134.46	115.43	108.17	110.36

Source: Information retrieved and processed on site Bucharest Stock Exchange (<http://www2.bvb.ro/>), www.antibiotice.ro and Ministry of Finance (www.mfinante.ro)

Antibiotice, the most important Romanian producer of generic drugs, has the mission to transform valuable treatments in a more accessible way to improve the quality of life.

The portfolio of 137 drugs covering a range of therapeutic areas, product development strategy is focused today on drugs in classes cardiovascular, infectious and central nervous system (<http://www.antibiotice.ro/companie.php>).

The results recorded by the company the entire period confirms the upward evolution that the company has pursued despite difficult market condition in the onset of the global economic downturn.

The turnover shows an increase to another, reaching its peak at the end of 2013 (318625024 RON), which confirms the viability of the core business market.

It is worth mentioning that there is a decrease in the duration of storage of goods in the market through careful management structure of the product portfolio both at entry and exit of the pharmacy.

The products that define the company's core business, such as Ampicillin and Amoxicillin capsules or tablets - Ciproquin (ciprofloxacin), Ranitidine and Erythromycin recorded an upward trend in market share relative to its main competitors and amid a reference markets regressing.

According to data from the table above, operating profit and the net also had positive developments during that period, peaking in 2013, the 5229713610 lei and 31380856 lei, up by 18.34% or 15.75% compared to 2012.

The achievement of this economic performance was possible by implementing the management team of the company, since mid-2008, a plan of measures to streamline the business and reduce costs, which aimed to increase business profitability.

These measures may include:

✓ the implementation of a cost reduction plan which aimed to reduce material expenses of any nature, without affecting the pharmaceutical industry-specific manufacturing standards, product quality or safety of employees. This plan resulted in reduced fuel consumption and utilities (electricity - 15%, gas - 21% and drinking water - 22%, fuel - 23%) in the first quarter of 2009 by approximately 14% over the same period 2008 and raw material costs fell 20%.

✓ the hiring freeze and redeployment of staff within the company, including through appropriate channels promoting hardworking staff who graduated from higher education.

✓ adjusting the number of staff from 1624 employees at the end of the first quarter of 2008-1480 at the end of March 2009 by boosting voluntary termination of the collective work and retirement demand, which led to a reduction in salary costs over 7%.

✓ improving the collection rate of the graphics market by establishing staggered payments, the insurers cover claims related tools customers and expanding domestic insurance policies for risk of default external clients.

The effects of these measures are already visible in the first quarter of 2009, they began to produce effects both in terms of profit growth and cash flow.

Trading Antibiotice (ATB) on the Bucharest Stock Exchange and inclusion in the index BET-XT (which reflects the evolution of prices of the most liquid 25 companies), BET-Plus (which includes companies listed on BSE Romanian who meet the minimum criteria Selection excluding investment companies) and BET-BK (which reflect price trends shares issued by domestic and foreign companies traded on the BVB regulated market) reflects the fact that it is a solid, competitive, developed on a sound economic trainic.

Maintaining between pharmaceutical manufacturers brands in Romania and internationally favorable development was possible due to the continuous investments in manufacturing technology, employee training and obtain certificates valued internationally recognized quality.

Recognition performance at national level has resulted in obtaining 2014 1st place for the fifth consecutive year in the category *"large enterprises industry-based pharmaceuticals"*, a top compiled by The Chambers of Commerce in Romania. Also, Antibiotice received for the sixth consecutive Trophy and Diploma of Honor from the National Association of Exporters and Importers in Romania, in its capacity as the largest exporter worldwide of Nystatin, having the most diverse Export offers of drugs.

The balanced growth in turnover and profit, based on a well defined business plan, supported by five pillars of development that determine the future development of the company, confirmed that Antibiotice is a competitive player in national and international pharmaceutical landscape.

Biofarm situation, listed on the Bucharest Stock Exchange, the size and dynamics of turnover, the operating result, the net result and the average number of employees is shown in the following table.

Table 5. Situation company Biofarm, Bucharest

Company	Indicators	The period of analysis				
		2009	2010	2011	2012	2013
Biofarm S.A.	Net turnover (lei)	67108836	82294885	93443090	104970886	119072520
	Indices of evolution (%)	100	122.63	113.55	112.34	113.43
	Operating profit (lei)	13711173	16934705	15707018	16416857	22587898
	Indices of evolution (%)	100	123.51	92.75	104.52	137.59
	Operating margin (%)	20.43	20.58	16.81	15.64	18.97
	Absolute deviation (%)	0	0.15	-3.77	-1.17	3.33
	Net profit (lei)	19636090	14414793	14220788	21036200	25581080
	Indices of evolution (%)	100	73.41	98.65	147.93	121.61
	Net margin (%)	29.26	17.52	15.22	20.04	21.48
	Absolute deviation (%)	0	-11.74	-2.30	4.82	1.44
	Average number of employees	343	343	362	340	360
	Indices of evolution (%)	100	100.00	105.54	93.92	105.88

	Labour productivity	195652.58	239926.78	258130.08	308737.90	330757.00
	Indices of evolution (%)	100	122.63	107.59	119.61	107.13
	The average salary/employee	29804.57	32344.79	31012.24	37620.70	38942.58
	Indices of evolution (%)	100	108.52	95.88	121.31	103.51
	The average expenditure (‰)	692.26	796.66	828.86	788.01	766.60
	Market share (%)	2.85	2.99	3.36	3.37	4.11
	Added value	33625751	49904027	52401029	61247835	69277943
	Indices of evolution (%)	100	148.41	105.00	116.88	113.11

Source: Information retrieved and processed on site Bucharest Stock Exchange (<http://www2.bvb.ro/>), www.biofarm.ro and Ministry of Finance (www.mfinante.ro)

With a tradition of over 90 years in the Romanian pharmaceutical industry with a portfolio of over 200 products, Biofarm covers 61 therapeutic areas and continuously invests in media campaigns, commercial and marketing to promote their products.

During 2013, Biofarm has maintained market trend and kept its position among the top 10 Romanian producers in terms of sales in stores.

With a stable position on the Romanian pharmaceutical market, Biofarm and improving its position in the international arena. At the moment, Biofarm is present in 12 countries, with an export value growth of 53% in 2013 compared to 2012 and aims expanding in the near future.

The turnover of the company is primarily from sales of finished products directly to pharmaceutical distributors, the internal market, the point of sale steward Tăutu Street, no. 99, Bucharest.

Turnover growths throughout the period, the highest value recorded in 2013 of 119072520 lei. Operating profit and net profit recorded oscillatory developments in the period. Despite record operating margin and net margin developments oscillators are above the sector average.

From 2010 Biofarm initiated a project for the distribution of its products directly to pharmacies in 2013 which led to an increase in sales through this distribution by 48% compared to 2012.

The company's development strategy includes improving the company's presence in the retail market, further development of the sales force and increasing the number of products. Continued investments in research, launch and promote their products will help strengthen the company's position in the market.

The research - development Biofarm aims to strengthen the market position of pharmaceutical products both quantitatively and qualitatively. The launch of new products and improving portfolio are key points of the development strategy of the company. To improve its position both domestically, as well as internationally, Biofarm aims to develop and launch about 10 products every year. In 2013 the formulas were developed 20 new drugs and dietary supplements and have been obtained marketing authorization for six new products.

Zentiva situation, listed on the Bucharest Stock Exchange the size and dynamics of turnover, the operating result, the net result and number of employees, it is shown in the following table:

Table 6. Situation company Zentiva, Bucharest

Company	Indicators	The period of analysis				
		2009	2010	2011	2012	2013
Zentiva S.A.	Net turnover (lei)	175765574	259644377	235648166	242491029	290362752
	Indices of evolution (%)	100	147.72	90.76	102.90	119.74
	Operating profit (lei)	-10270467	62929082	38020442	37381079	50578068
	Indices of evolution (%)	100	-612.72	60.42	98.32	135.30
	Operating margin (%)	-5.84	24.24	16.13	15.42	17.42
	Absolute deviation (%)	0	30.08	-8.10	-0.72	2.00
	Net profit (lei)	-2882789	57377448	33857309	32181076	40297608
	Indices of evolution (%)	100	-1990.35	59.01	95.05	125.22

Net margin (%)	-1.64	22.10	14.37	13.27	13.88
Absolute deviation (%)	0	23.74	-7.73	-1.10	0.61
Average number of employees	691	585	555	531	484
Indices of evolution (%)	100	84.66	94.87	95.68	91.15
Labour productivity	254364.07	443836.54	424591.29	456668.60	599923.04
Indices of evolution (%)	100	174.49	95.66	107.55	131.37
The average salary/employee	52088.48	61677.41	62323.73	65894.04	73169.71
Indices of evolution (%)	100	118.41	101.05	105.73	111.04
The average expenditure (‰)	1003.55	744.27	830.94	846.20	830.15
Market share (%)	7.48	9.45	8.48	7.77	10.03
Added value	62105104	142407929	157366572	129301554	137458104
Indices of evolution (%)	100	229.30	110.50	82.17	106.31

Source: Information retrieved and processed on site Bucharest Stock Exchange (<http://www2.bvb.ro/>), www.zentiva.ro and Ministry of Finance (www.mfinante.ro)

ZENTIVA (http://www.zentiva.com/about-us/Documents/2004_EN.pdf, p. 4), one of the largest generic pharmaceutical companies in Central and Eastern Europe, focuses on the development, production and marketing of new versions of branded generic pharmaceutical products which the company believes can be successfully introduced in the markets of Central and Eastern Europe. The company is market leader in the Czech Republic, Romania and Slovakia and its importance increases rapidly in Poland, Russia, Bulgaria, Ukraine and in the Baltic countries.

Regarding the growth of turnover, it records the entire period increases (less than in 2011), reaching its peak at the end of 2013 (290362752 RON).

The operating result has an oscillating evolution, reached a peak in 2010 (62929082 lei), continued to decrease in the next two years.

In terms of net result, there is a loss in 2009 (-2882789 lei), followed by profit in the future.

Regarding human resources, there is a decrease in the average number of employees during the entire period of analysis, caused by the global economic recession.

The company's strategy is built around a number of key elements, namely (http://www.zentiva.com/about-us/Documents/2004_EN.pdf, p. 6):

- ✓ rank bringing innovative brand generic drug market;
- ✓ promotion of these products to primary care through a highly trained sales force that is able to educate this market about the value of these new drugs;
- ✓ cooperation with healthcare providers in the countries where it works to expand the primary care market. These benefits increase the number of patients who have access to modern therapy without significantly increasing healthcare costs;
- ✓ focus on cost competitiveness.

In the last three years the Bucharest factory has undergone a process of investment of 12 million Euros in new technologies and cost optimization.

The situation Farmaceutica Remedia was listed on the Bucharest Stock Exchange, the size and dynamics of turnover, the operating result, the net result and number of employees, it is shown in the following table:

Table 7. Situation company Farmaceutica Remedia, Deva

Company	Indicators	The period of analysis				
		2009	2010	2011	2012	2013
Farmaceutica Remedia S.A.	Net turnover (lei)	154401289	182561836	203467822	237446333	237835520
	Indices of evolution (%)	100	118.24	111.45	116.70	100.16
	Operating profit (lei)	5138892	3533326	5568914	6762860	3609909
	Indices of evolution (%)	100	68.76	157.61	121.44	53.38
	Operating margin (%)	3.33	1.94	2.74	2.85	1.52

Absolute deviation (%)	0	-1.39	0.80	0.11	-1.33
Net profit (lei)	918157	1959398	4077449	5553843	3013374
Indices of evolution (%)	100	213.41	208.10	136.21	54.26
Net margin (%)	0.59	1.07	2.00	2.34	1.27
Absolute deviation (%)	0	0.48	0.93	0.34	-1.07
Average number of employees	398	415	395	424	447
Indices of evolution (%)	100	104.27	95.18	107.34	105.42
Labour productivity	387942.94	439908.04	515108.41	560014.94	532070.51
Indices of evolution (%)	100	113.40	117.09	108.72	95.01
The average salary/employee	26458.91	27873.94	31760.97	36016.79	33650.82
Indices of evolution (%)	100	105.35	113.95	113.40	93.43
The average expenditure (‰)	991.64	984.86	973.77	971.49	985.57
Market share (%)	6.57	6.64	7.33	7.61	8.22
Added value	24666779	25789431	30141060	32098886	27792438
Indices of evolution (%)	100	104.55	116.87	106.50	86.58

Source: Information retrieved and processed on site Bucharest Stock Exchange (<http://www2.bvb.ro/>), www.remedia.ro and Ministry of Finance (www.mfinante.ro)

Farmaceutica Remedia (<http://www.remedia.ro/wp-content/uploads/2014/05/raport-anual-CA-2013-consolidat.pdf>, p. 3) is present on the market with a network of eight centers logistics, a chain of 73 pharmacies and local distribution, integrated with selling drugs activities, health promotion and marketing, having a market share of medicines and products market farmaceutice below 2%.

The company's mission (<http://www.remedia.ro/companie/misiune/>) is to promote and launch innovative concepts pharmaceutical business, providing quality health services adapted to the needs of customers; respecting international standards of ethics and professionalism.

The company continued during 2013 ongoing process of refurbishment and logistic centers both in their pharmacies, consisting of both facilities with new equipment (furniture, by car, computers) and the continuous improvement of both software systems used (<http://www.remedia.ro/wp-content/uploads/2014/05/raport-2013-CA-year-consolidat.pdf>, p. 6).

Turnover growths throughout the period, with different growth rates, the most significant being recorded in 2010 by 18.24%.

Operating margin recorded an upward trend in 2009-2012, followed by a fall of 1.33% in the last year of analysis, hovering well below the sector average, without putting the company in difficulty.

Net margin recorded an upward trend in 2009-2012 due to the fact that the growth rate of net profit growth rate ahead of the turnover, followed by a fall of 1.07% in the last year of analysis, reaching 1.27%, which is below the sector average.

Shopping online has a strong upward trend in urban population and therefore during the previous year was implemented a new platform for online sale (e-shop) for increasing the number of visitors and to shorten the time of order.

Farmaceutica Remedia continued during 2013 and the ongoing process of revamping both logistics centers and in their own pharmacies that consisted in the equipment with new equipment (furniture, by car, computers) and in the continuous improvement of both software systems used.

As elements of perspective on the company's activity is envisaged that there was a high probability that in the first half of 2014 the financial difficulties of independent pharmacies - customers Farmaceutica Remedia - to emphasize. In this context, the company will work with partners who offer guarantees priority for payment of goods purchased from Farmaceutica Remedia.

Given the above, in 2014 Farmaceutica Remedia will maintain a policy of accelerated collection of receivables from market including by offering additional discounts. Also, capital

expenditures will be made strictly on the basis of the investment budget and within available funds, without affecting operational activity.

On the other hand, especially the difficulties encountered by independent pharmacies free, market opportunities direction to find new forms of collaboration, mergers and acquisitions.

5. PHARMACEUTICAL MARKET RISKS

Among the factors influencing drug manufacturers affairs mention:

- ✓ the long service Receivable (250-300 days) and delayed payments of invoices by the National Health Insurance;
- ✓ the setting a fixed exchange rate to calculate the prices of medicines. For 2009 drug price was calculated at an exchange rate of 4 lei for one euro, while the 2010 rate announced is 4.25. Drug manufacturers are thus disadvantaged if the national currency depreciates against the euro above 4.25. But winning at a rate euro/USD below 4.25;
- ✓ new way of calculating the prices of medicinal products for manufacturers that provides basic selection of lower producer price of the same drug existing in the Czech Republic, Hungary, Greece, Bulgaria, Poland, Spain, Germany, Slovakia, Austria, Belgium, Italy and Lithuania. The minimum price selected is converted from euros to lei at a fixed exchange rate;
- ✓ the claw-back system which requires three months once drug manufacturers to transfer tax equivalent government accounts for 11.5% of revenues (<http://www.med-farm.ro/top-10-companii-farmaceutice-din-romania-2013-an-favorabil-pentru-piata-medicamentelor/>).

The economic crisis in Romania has decreased the average growth rate of pharmaceutical companies, but the market value is estimated to grow because pharmaceutical companies are influenced to a lesser extent by economic cycles.

6. CONCLUSION

At present, Pharmaceutical industry companies are divided into several areas (*life sciences, Healthcare, disease management*), and recently appeared other new fields (*biotechnology, genetic products, foodaceuticals*). Fundamental changes in the pharmaceutical industry have led to an explosion of companies specializing in limited areas, generally in one or several sections of the value chain and an integrated firms attempt to advance the pace of transition.

In the new economy changes the role of pharmaceutical companies and some already emerging trends will increase. These relate to:

- ✓ increase the number of specialists in biotechnology and research companies that companies will increasingly rely, which can provide new compounds licensed and partnerships;
- ✓ specialized firms will increasingly focus on technologies that will lead to new research;
- ✓ rethinking of clinical trials and other product development functions;
- ✓ new alliances with companies in the healthcare system for the distribution of medicines.

Romanian pharmaceutical sector can be characterized by dynamism expressed both in the manufacturing sector and in the distribution, makers with an important contribution to increasing competition are composed of market growth and high profitability prospects of investment in production capacity or distribution units (<http://www.analizeeconomice.ro/2013/04/analiza-pietei-Pharmaceutical-between-anii.html>).

Romanian pharmaceutical companies are moving towards exports so as not to be affected too much by local market, "diseased" clawback tax high pressure or poor payment discipline, persisting (<http://www.romanalibera.ro/economie/companii/sectorul-farmaceutic--o-investitie-sigura-pentru-romania-277058>).

Specialists from Tradeville (<http://www.tradeville.eu/despre-tradeville>), financial investment services company with a successful history of over 19 years of capital market in Romania, recommends investors as part of a long-term portfolio should be allocated to the pharmaceutical

sector for, in the coming years, amid generalized aging of the population, application of medicaments for cardiovascular diseases, CNS or respiratory diseases will increase.

All four pharmaceutical companies, listed on the Bucharest Stock Exchange (BVB) were positive developments this year. So, "Antibiotice Iași" (ATB) has increased in early by 50%, followed by "Biofarm" Bucharest (BIO) -with 39%, Zentiva (SCD) - 30%, the lowest increase recorded a Farmaceutica Remedia (RMAH) - 12%. Brokers bring these positive developments are due financial results of companies, how, especially in the case of BIO and ATB securities exchanges on behalf of companies, made by their major shareholders (<http://www.remédia.ro/companiile-farmaceutice-au-crescut-pe-fondul-schimburilor-intre-actionarii-strategici/>).

For the future, product development portfolio, business internationalization, protecting working capital, human resource focus to increase competitiveness of the company, remain the cornerstones of the strategic development of the company Antibiotice (<http://www.antibiotice.ro/investitori.php?sid=20>).

Capitalization of three of the four companies fluctuates between 200 and 315 million, while the market value of Farmaceutica Remedia Deva is about 10 times lower. But Farmaceutica Remedia business volume is comparable to the sales of the other three companies. The explanation comes from the fact that the main activity of the company is Deva pharmaceutical products, while the other three companies are manufacturers of pharmaceutical products. As a result, the need to make investments in fixed assets and in research is higher for eventually (<http://www.ziare.com/bani/bursa/tradeville-investitiile-in-sectorul-farmaceutic-recomandate-pe-termen-lung-1052968>).

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