

The challenges of doing business in algeria marketing essay



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Birzeit Pharmaceutical Company was founded in 1974 in Palestine country. And its headquarter is situated in the city of Ramallah., the pharmaceutical industry embarked in producing and allocating generic drugs. The industry produces and markets 300 commodities of medicines distributed with ten lines of products makings which include: Capsules, Ampoules, Syrups, Tablets and Caplets, Suspensions and Granules, Semi-solids, Ophthalmic, Suppositories, Powder vials, and Powders. Birzeit Pharmaceutical Company also invested in different companies, such as Lotus for Financial Investments Company, Al Rafah Microfinance Bank, and Al Takaful Insurance Company. Moreover, regards to the local Palestinian market including Ministry of Health, local health care institutions, global health care institutions and initiatives, the Company has export marketplace in Algeria and East Europe presently (<http://www.uppm.org/bpc.html>, 2004).

Birzeit Pharmaceutical Company (BPC) had effectively concluded a number of mergers and had conquered some of its difficulties and expansion phases that led the business to be more strong position in its local market in Palestine and the large range of products in the exporting market.

BPC's competitive advantages include modern facilities, well trained and dedicated employees, a well set up presence in all selling places, strong in financial position and strategic linkages with the home county's health care organisations and as well as the linkages with the main business organisations in Palestine. The vision of Birzeit Pharmaceutical Company is to become backbone of health care security organization in Palestine and the environs and to offer high-quality products. Its Contact Number is (970)-2-298-7572. Website Address: www.bpc.ps.

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2. 0 THE SOCIO-POLITICAL CHALLENGES OF BPC IN BOTH LOCAL AND INTERNATIONAL MARKET

2. 1 International Market

According to Lee & Carter (2012), this new era has been embodied with challenges in international demography, economic incorporation and technological development. Based on that, Birzeit Pharmaceutical Company as a part of the Union of Palestinian Pharmaceuticals Manufacturers, (UPPM) faces different challenges in both local and international market. Concerning the international market, the foreign products have the right of entry into Palestinian market, so Birzeit Pharmaceutical Company products do not enjoy access to Israeli and foreign markets. The prices of Palestinian pharmaceuticals are relatively controlled by Palestinian legislative and regulatory body, in contrast to the prices of foreign products. Because of the progressive political instability in the Palestinian market, the dependent on the quality of overseas products had a depressing perception and the quality of the local products and local industrial needs upgrading. The lack of understanding has made different investment leading to constant weakness in the positioning of a local product in the Palestinian market (Sabri, N., 1999).

BPC plans to bring in new products to provide fashionable manufacture in the local market, the production line has been the control by Israeli and international companies in the past. The end of 2009, the company has recently completed its new stage of development, investment in new machinery and expands production equipments in Ramallah. In 2008, the company also acquired the certificate of current good manufacturing

practices (cGMP). In addition, BPC outsource its distribution activities, reduce costs, and has contributed to the realization of its cost advantage (Nasr, M., 2002).

2. 2 Local Market

From political perspective, due to the fact that the local market is too small to sustain a sizeable drug industry at costs comparable to those in the international market, i. e the Palestinian National Authority with the pharmaceutical company sources proposed that the approximated market share in the domestic industry covers 35 to 40% of the Palestinian market, and the remaining is supplied by the Israeli and international products. The pharmaceutical company at the West Bank/Gaza comprises 7% of the entire company productivity; its contribution is almost 1% to GDP. According to a Massar investigation that was carried out in 1998, the entire value of the yearly supply is \$65 million of which \$25 million represents the local pharmaceutical products and \$40 million foreign and Israeli products. C:

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Export and import restrictions in Palestine limited the growth of the company to develop external markets for its products and escape the highly unpredictable environment of Palestine. In this situation, it is difficult for the small and low cost of local market (Nasr, M., 2003). That is, the foreign competitors are low on the basis of the law of Israel. It clearly shows that the Birzeit Pharmaceutical Company competition from government contract.

An increasing competition is a tough challenge for the BPC who wanted to enlarge its new business and enter new markets. The local market in

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Palestine is not big enough to maintain a substantial drug business at low costs compared to the foreign markets. Considering irrelevant export points, profits can be only be sustained in the market situation at present. BPC domestic products prices are lower than that of the drug in Israel and abroad, but at the same price of other local manufacturers. For instance, the BPC products that are used for rashes and other skin infections treatment are innovator prices of 65% discount (Massar Associates, 2000).

The West Bank Gaza's restricted market requires producers to discover the practicability of the exporting markets. However, this will necessitate changes in the existing status of the local markets, as well as the upgrading of equipment, facilities and processes to meet the terms of good manufacturing practices (GMP). The increasing rate of competitiveness from local industries is involved to oppose new imports beginning from the nearest Arab countries. Moreover, the local market in Palestine is not big enough to maintain a substantial drug business at low costs compared to the foreign markets. Considering irrelevant export points, profits can be only be sustained in the market situation at present, i. e. based on the fact that foreign competition is efficiently weighed down by Israeli laws. It is clearly indicated that Birzeit Pharmaceutical Company suffer from the rivalry in the government contracts (Nasr, M., 2002).

3. 0 THE CHALLENGES OF DOING BUSINESS IN ALGERIA

Politically, Algeria is a stable country for doing business. Culturally, it has not experience large scale social conflict as many of its neighbouring countries do. Doing business in Algeria remains extensive and always in complex

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processes. However, a restricted investment strategy was been implemented in 2009 which involves majority of the Algerians to venture in any investment. According to Francesco et al, (2010), the Algerian tariff law was also amended which allow foreign shareholders to re-invest in between four years the cost of any investment tariff incentives will be accepted or they face 30% punishment in the year 2008.

Moreover, the attractiveness of the Algerian investment setting at large is undersized by the people thoughts that laws are suddenly imposed on investors without any meeting with the business neighbourhood. This is highly added to unpredictability in doing business in the region. Also the Algeria government freezing consumer credit executed in 2009 has limited buying of imported cars and as well as large house appliances. The government has disallowed over 400 imported drugs in order to encourage local production.

It is approximated that over 50% of Algeria's economy is informal. Algeria's certification of general pharmaceuticals and short of a clear organization between the Ministry of Health and the copyright and Trademark Office intensify the uncertain landscape for the registration and sale of brand-name products (Roberts, 1984).

Furthermore, once the multinational investors invested in a international country, the director have to come with a decision on the administrative exercises and the organizing mechanisms to execute in the subsidiary. Instructions should be provided as regarding the mood of the domestic employees and directors should be conscious of showing good respect of

humanities. From an Algerian viewpoint, doing business in a foreign international can stand for an emotional attempt since the local employees are anticipated to accept administrative practices in which they are not familiarized with (Francesco et al, 2010).

4. 0 SOME SUGGESTIONS TO MAINTAIN AND SUSTAIN IN BPC COMPANY

In spite of the development of BPC and its being strong in financial position, it was very comparable to other Arab industries. It's obvious that BPC was indisposed in putting in large sums of funds and also reluctant to take big risks in developing the business outside the region. Regards that, BPC should take proactive steps in investing more money into the business in both locally and internationally.

According to spectators, the Palestinian drug manufacturing company cannot succeed in international competitive markets openly with the manufacturing standards that are lesser than that ordered by the foreign markets; they have not been adequately met up with global standards. Therefore, if the BPC is able to contend with the international markets, it must:

reconsider products produced at present, and specialized based on the nationwide drug records.

execute long-term immovability studies for the formerly recorded products; carry out bio-equivalent research for the medicines recorded without studies have to be undertaken, it is indication for them to offer effective medicines;

carry out the execution of the good manufacturing practice (GMP) that requires a performing condition for the advancement in the future;

accomplish absolute separation involving lines of production;

execute an incorporated quality assurance system in the manufacturing works;

Execute process validation.

Pharmaceutical business is said to be very sensitive and risky because it has to do with the life of people, so, BPC can also apply Six Sigma as a disciplined. It is a data-driven problem solving approach or quality retaining method which is been supported by enormous statistical equipments in order to lessen errors through constant improvement and advancement of high quality of production processes (Fitzsimmons et al, 2011).

5.0 THE MODE OF STRATEGIES OF ENTERING INTO INTERNATIONAL MARKET.

According to Johnny K. (2009), the mode of strategies of entering into market is an organisational planning that makes it possible for the entry of a business services, technology, human skills, managing or other resources into a foreign country. The effect of entry mode on the degree which an organisation can work out control over its domestic marketing attempt is not easy and straightforward. The basic entry modes of strategies of entering into international market include licensing, direct export, Joint ventures and merger (Lee & Carter 2012).

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Birzeit Pharmaceutical Company (BPC) find it difficult to do business in Algeria and East Europe made it very imperative by licensing and registering its new Pharmaceutical products in Algeria market. BPC introduced its existing market into the new market in Algeria with the incentive of product diversification, new product development into existing market. Market development, the same products are sold to existing market. Licensing is an agreement in relation to sale or leasing in or out of industrial or commercial expertise (Kumar et al 2007).

The Algeria market was identified as the best opportunity so BPC intended to take its new investment slowly and take over the pharmaceutical business in phases. The first stage was to export finished products been manufactured in Palestine, then packaged and market in Algeria. BPC made a pre-testing by first exporting some its existing products to the new market.

The second phase was involving transformation and packaging of the packaging company in Algeria into a manufacturing company and turned it to a pharmaceutical production company in Algeria market.

Regarding to East Europe, Birzeit Pharmaceutical Company applies Exporting mode of entry to entered East Europe. The Pharmaceutical producers are presently launching innovative export markets mainly in Eastern European in which their exports indicates less than 5% of to the entire sales in 1996 however they are increasing very fast because of the expansion of the marketing opportunities in Yemen.

In 2006, BPC understood that a new strategy had to be introduced to deal with the small market in Palestine and the political instability, restrictions
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and the duplication of products. The company aimed to spring its export market, thought that the local market was already at the peak of its saturation and expected the company growth will be achieved through the export market by introducing new niche products and joint ventures or licensing contacts.

6. 0 PRODUCT DIVERSIFICATION

Product diversification is one of the strategies to enter international market, which involves modifying existing products in order to expand and offer new related products to current customers (Kotler et al, 2010 p. 44). In other word, it is the method of intensifying business opportunities with more additional market prospective of existing product. Product diversification can only be accomplished by venturing into new market.

6. 1 Product/Market Ansoff matrix.

Ansoff diversification. JPG

Product diversification is one component of the four major expansion strategies from the Product/Market Ansoff matrix.

Based on the BPC context, the company modifies current products in the new market by introducing new products in ongoing basis because customers want new products and new innovations, BPC uses pull and push methods for its customers.

Related diversification

This is when a company includes or enlarge its existing products lines or markets. For example, BPC joined with an Algeria pharmaceutical company with related diversification strategy such as the packaging of products.

Unrelated diversification

This is when a company includes a new or unconnected product to its products lines or markets. In such case, BPC diversifies its products lines by launching Medix business for beauty and care that produces cosmetics and body care products.

6. 2 How to implement and cater the needs of International Markets?

To implement and cater the needs of international market has to do with extensive marketing research, product adaptation analysis and legal reconsideration. In such case, a particular market must be discovered and its characteristics and size have to be measured. Thereafter, a new product either on modification or little improvement on existing products have to introduce into the market with the conformity of the law of the region and the government policy. Moreover, doing business in international market extremely require importation licensing i. e. medicines importers have to promise that 45% of their imports will be generic drugs.

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