

Marketing of chery flashcard



**ASSIGN
BUSTER**

The case deals with the development of a pharmaceutical and dermo-cosmetics company owned and controlled by its founder, Pierre Fabre. The company (Pierre Fabre Laboratories) has made extensive use of its culture to build competitive advantage. The company history pervades its strategic choices (selective distribution through pharmacists, manufacturing and R&D localisation), its choice of product development path (natural substances), organisational capabilities building (innovation) and management style ('humanistic').

The company's name is not well known to the general public except in the south west of France. However, its brands (Avène, Galénic, Klorane), and products (Elancyl, Navelbine) are known among pharmacists, dermatologists and oncologists in many countries. The company has deliberately marketed its products for the last 50 years by cultivating prescribers and using selective channels resulting in an image of science-based and seriousness.

Q1. What are the distinctive elements of Pierre Fabre group corporate culture? How do these participate in building a sustainable competitive advantage?

The first point to focus on is the role of Mr. Pierre Fabre as an entrepreneur and leader. The man has successfully created a pharmaceutical multinational company starting from a small provincial town pharmacy. Pierre Fabre is an eponymous company bearing the name of its founder and current president. This gives employees a meaningful sense of "working for someone" reinforcing the sentiment of belonging to the organisation. * It is more a pharmacist company than a pharmaceutical one. It follows the ethics of that

profession: seriousness, science-based research and a duty to care for the health of the customers. These values apply also to products such as family medication and cosmetics, which are developed, produced and marketed the same way prescription drugs are.

* The identity of the group is based on the fact that it is diversified with three major divisions: prescription drugs, family medication (OTC) and dermo-cosmetics. * Through its relatively short history, the company has taken bold challenges and developed steadily by reinvesting profits into drug discovery and international expansion. Its culture has been more oriented to develop turnover than pay dividends to shareholders. In times of economic duress, this is more difficult to sustain. * The company is proud of its independence and insists on being different from “ Big Pharma” through its corporate governance with a large portion of its capital in the hands of a foundation, the founder and the employees. * Pierre Fabre’s management style is somehow paradoxical, at times paternalistic, concerned with employees’ well being and at times demanding, especially for managers, with a focus on detail.

Further, being private and independent, the company does not suffer from the short-term pressure of the financial markets. It has been a true competitive advantage in terms of its R&D effort in the prescription drug business. It has also permitted the creation of a set of – now profitable – dermo-cosmetics brands that suffered from losses during their early years.

Being diversified meant also being able to cross-subsidise business units, and for years the drug division benefited from profits which were invested in

the development of new markets by dermo-cosmetics brands. Since the late 1990s, the flow has reversed with dermo-cosmetics subsidising drug development for the pharmaceutical business unit.

With dermo-cosmetics, Pierre Fabre has created a category. It has enjoyed in major European markets, a first mover advantage, by using pharmacies as specialised distribution channels. As such Pierre Fabre has been able to command higher prices and margins. It has retained a very strong competitive position, despite facing a very powerful challenger in L'Oréal 'active cosmetics' SBU (Vichy, La Roche Posay, Innéov).

Q2. When might a strong corporate culture become a weakness for an organisation?

The independence of the company has long been established as a non-negotiable element of the company ethos. It has its drawbacks in terms of growth. It means relying on self-finance and debt, and creates limitation for strategic options. In recent years, the growing cost of drug development has caused problems for Pierre Fabre who needed to redefine its position towards pharmaceutical giants looking for niches rather than trying to develop blockbusters.

A strong corporate culture, for instance based on an established technology, could create inertia and problems to manage change or develop new strategies. (Examples include Olivetti with electrical typewriters or EMI in the musical industry. The former was almost destroyed by the word processor and the second by the mp3).

Q3. Is it possible to change the strategy of a company with a strong culture?
How?

It is possible but it requires a good understanding of the current characteristics of the company culture. A strong identity is not necessarily a synonym for inertia. At Pierre Fabre, the company has undergone diversification and faced very blunt challenges given its size, origins and competitors. This is a part of its history that could be used to prepare for new challenges. Instead of developing narratives on product or market portfolio, managers can point out resources and competences that have been developed in the company and could be used for very innovative strategies.

Pharmaceutical quality, scientific rigour, competences in galenic formulation (principles of preparing and compounding medicines in order to optimise their absorption) and FDA certified drug production plants are competences and resources that could be used to develop and market all sorts of products or generate cash by providing services to other industrialists.