

**Impact of Marketing Expenditures on Sales of Leading Multinational & Local
Pharmaceutical Industries in Pakistan: A Comparative Study**

Syed Muhammad Zawar Shah

Tahir Ali

Karachi University Business School

zawar.shaah@gmail.com

Abstract

The study compared the role of marketing expenditure on the sales performance between MNC and local pharmaceutical companies of Pakistan. Quantitative and qualitative mixed method approach has been selected as the research design. Secondary data from annual reports has been gathered, whereas, primary data is taken using survey method. Five-point Likert scale questionnaire has been used in the study, whereas, the qualitative interview from top management personnel of the pharmaceutical firms have been conducted. The results and interview answers have proven that marketing expenditure has a significant and positive effect on the sales performance between MNC and local pharmaceutical companies of Pakistan.

Keywords: Marketing Expenditure, Sales, Pharmaceutical Sector, Comparative Study, Pakistan.

Introduction

Background/overview

The amount of money spent by pharmaceutical firms on promoting and selling their goods to healthcare professionals, patients, and consumers is referred to as "marketing expenditure" in the pharmaceutical sector (Arnold et al., 2022). Additionally, this may include costs for sales personnel, marketing supplies, clinical studies, and other types of advertising, including sponsorships, direct-to-consumer ads, and medical conferences (Rahul & Prakash, 2022). Furthermore, pharmaceutical businesses spend a lot of money on marketing since it is so important for raising brand recognition, boosting sales, and promoting the business and its products (Kejariwal & Bhat, 2022). To guarantee that advertisements and promotions are accurate, balanced, and not deceptive, the pharmaceutical sector is extensively controlled in terms of marketing (Ngamvichaikit, 2021).

Despite the fact that the big pharmaceutical corporations tout themselves as research-based businesses, most people think that they invest more in marketing than in research (Boudreau, 2021). Because of the high global demand for pharmaceutical products and the ensuing exports that eventually increased the GDP value in Jordan, where the pharmaceutical industry was established in 1962 as the primary revolution, it is regarded as one of the strategic sectors that supports the country's economy (Haloub et al., 2022). It is the only nation in its geographic region to export more medication than it imports (Lafrogne-Joussier et al., 2022). Thus, this industry, which started production at the beginning of the 1960s and continued to grow until it became a symbol of the national industry, is regarded as one of the leading industries (Haloub et al., 2022). Due to their high quality and capacity to adhere to international norms and requirements, the final items are mostly shipped to the Middle East and Arab nations (Lukonga,

2021) . This market's primary distinctive feature is its accessibility to international commerce and its competitive sector with unrestricted capital transfers.

Moreover, the Jordanian market retains a meagre 29% share domestically but exports 71% of its goods to other countries (Islam et al., 2022). MENA, the US, and Europe get over 75% of the sector's exports, which are valued at about \$600 million. There are currently 16 pharmaceutical industries operating in Jordan. The MENA region's unrest previously caused the pharmaceutical business in Jordan to grow, as patients from there rushed to the nation, driving up demand for both medicines and pharmacists (Dickson, 2022; Islam et al., 2022). Pakistan historically relied heavily on imports after 1947 since it lacked a pharmaceutical production capability (Kavadi, 2023) . The pharmaceutical industry had consistent expansion, and in 1980 it began exporting completed pharmaceuticals, which totaled 1.2 billion US dollars by 2007 (KHAN & KHALID, 2021). In contrast to the worldwide growth rate of 8%, the local pharmaceutical industry grew by 17% in 2013 (Osorio et al., 2021). Pakistan's pharmaceutical market had grown to 2.6 billion US dollars (Qureshi & Raza, 2022a).

Statement of the problem

The pharmaceutical sector in Pakistan has developed unethical marketing techniques that are increasingly impossible to reverse (Malik et al., 2021). Offering financial incentives and hosting visits in the name of scientific endeavours are two methods used to advertise medications (Qureshi & Raza, 2022b). The Drug Regulatory Authority of Pakistan and the Minister and Secretary of Health were accused by the Pakistani Young Pharmacists Association (PYPA) and the Pakistan Drug Lawyers Forum (PDLF) of legalising corruption by allowing "expenditure incurred on sales promotion of pharmaceutical companies has been enhanced to 10%," which means that pharmaceutical companies can now pay doctors commissions of up to 10% for sales

promotion (Ahmed & Chandani, 2020). Drug Attorneys and Pharmacists Criticize DRAP and the Ministry of Health for "Legalizing Corruption" Pakistan's public healthcare systems are underfunded and provide subpar treatment (Sajid et al., 2021). In both urban and suburban locations, there are government hospitals, but the supply of medications is limited, so patients are responsible for covering their costs (Le et al., 2022). According to reports, the affordability of the minimum wage worker, the price of treating long-term disorders ranged between 1 and 7.7 days' earnings for generic drugs with the lowest cost or 1.4 to 36.4 days' salaries for research brand. 7.6 to 53.1 days' worth of wages would be necessary to purchase medications if low-income individuals or members of the working class required them for treating their peptic ulcer, arthritis, or hypertension (Berger et al., 2022).

Research objective

The study compared the role of marketing expenditure on the sales performance between MNC and local pharmaceutical companies of Pakistan.

Review of the Literature

Sales and marketing spending were statistically significantly correlated with one another. The correlation between market expense and sales is positive (Golovko et al., 2022). No statistically significant differences existed between businesses with various sales volumes. Marketing expenditure had statistically significant effects on sales. The ratio of marketing expense to sales increases in direct proportion to the ratio of marketing expenditure to sales, and vice versa (Sekeroglu & Karaboga, 2023; Sodero, 2022). It was observed that marketing significantly influenced both customer choices and a product's sales volume. The study shows that a positive relationship between sales and marketing expenditure is permitted by the computed value of the correlation coefficient (Arsova et al., 2022). It is found from the literature and research of this

study that there is a substantial correlation between a company's marketing expenditure and sales performance (Reddy et al., 2022). This study also demonstrates how important marketing is in explaining sales. Additionally, marketing disseminates the message to a dispersed target population that the marketer or producer could not have readily reached all at once (GETACHEW, 2022). It has an impact on business growth in the selected institutions in terms of sales, market share, profits, quality products, customer happiness, and employee satisfaction. Furthermore, the marketing promotes product uniqueness and brand loyalty (Arsova et al., 2022). Moreover, it encourages customers to buy the product repeatedly, denying rivals an advantage. Since business competitors are using similar marketing messaging, it is advised that marketing managers create and produce unique advertisements that will satisfy customer wants (Golovko et al., 2022).

Methodology

Sample and population

Numerous studies have designated Pakistan's pharmaceutical industry as a Sunrise Export sector for the nation. Pakistan's pharmaceutical industry is expected to be worth roughly USD 3.2 billion in 2022, up from USD 1.64 billion in 2011. 1 Industry estimates that this sector would quickly grow into a retail market worth USD \$4 billion when institutional sales are included (Fatima; Fida et al., 2022). With 215 million local customers and more than 700 pharmaceutical enterprises, Pakistan is well-positioned to benefit from possibilities presented by these shifting worldwide patterns of supply and demand (Khan et al., 2022). Hence, pharmaceutical sector of Pakistan has been taken as a targeted industry in the current study.

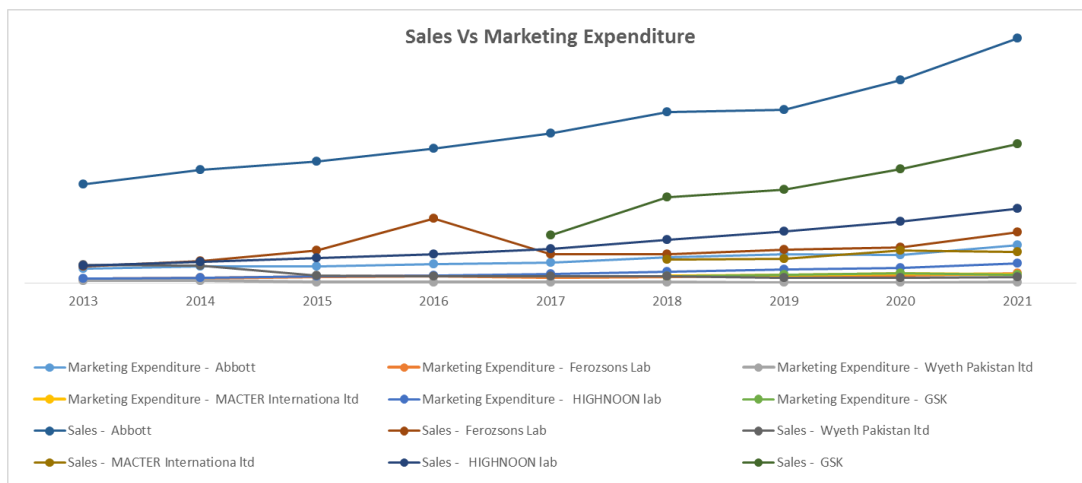
Data collection

Secondary data refers to any dataset collected by a party other than the one using it (also known as second-party data). Secondary sources of data are quite beneficial. They enable academics and data analysts to produce substantial, top-notch databases that support the resolution of business difficulties. For the current investigation, secondary data from yearly reports was used (Hair et al., 2019). In quantitative social research, surveys and questionnaires are regularly used to collect information that can help understand people's needs in relation to particular themes. Surveys are used to compile statistical information about a population's members (Corti et al., 2019). The study employed a survey methodology. Additionally, a five-point Likert scale questionnaire was employed, and senior management members of the sample population participated in qualitative interviews.

Results and Findings

Secondary analysis

Following figure shows the graphical illustration of the relationship between marketing expenditure and sales performance of the local and MNC pharmaceutical firms of Pakistan.



The graph shows that the sales in the Abbott company keeps on increasing throughout the years 2013-2021, whereas, sales in the GSK, kept increasing from the year 2017-2021. Moving on, the sales in Ferozsons lab slightly increased from the year 2013-2025, drastically increased from 2015-2016, whereas, it inclined down from the years 2016-2017. From the year 2017-2020, the graph shows that sales of Ferozsons lab did not get much high, but from 2020-2021, the sales increased significantly. The sales performance of the Highnoon lab remained constant from 2013-2014, and kept increasing gradually till the year 2021. The marketing expenditure remained constant in Abbott from 2013-2017, whereas, it slightly increased from the year 2017-2021. The marketing expenditure of Highnoon lab remained constant and slightly increased in the year 2021. Sales in Macter international remained constant from 2018-2019, increased slightly from 2019-2020, whereas the sales declined from 2020-2021. Marketing expenditure of Macter international remained constant from 2019-2021, whereas, of Ferozsons and of Wyeth Pakistan ltd. it remained constant too throughout the years 2013-2021.

Primary analysis

Following table 1 provides the segmentation of 100 respondents into their type of pharmaceutical firms they are currently working.

Table 1: Respondents' Profile (n = 100)

		N	%
Firm Type	Multinational	58	58.0
	Local	42	42.0

The multinational companies that have been taken are 58 (58%), and the local companies are 42 (42%).

Following table 2 provides the descriptive analysis of the employees' perspective about the role of marketing activities towards sales performance of the local and multinational pharmaceutical firms of Pakistan.

Table 2: Descriptive Analysis of the Employees' Perspective

Questions/Factors	Mean	S. D.
Our marketing activities are intended to increase or maintain our ROI.	3.400	1.310
Our marketing activities are intended to increase or maintain our sales.	3.640	1.202
Our marketing activities are intended to increase or maintain our goodwill.	3.520	1.132
Our marketing activities are intended to increase or maintain our employee satisfaction.	3.730	1.090
Our marketing activities are intended to increase or maintain our quality.	3.680	1.278
We provide effective sales support to the sales force.	3.370	1.160
Our advertising programs are well developed for sales.	3.470	1.087
Our sales promotions are well developed for sales.	3.320	1.188
Our marketing activities have increased average customer spend.	3.350	1.201
Our marketing activities have improved efficiency in service delivery.	3.300	1.322

Marketing activities that are intended to increase the ROI has the mean of 3.400 and the standard deviation of 1.310. Whereas, marketing activities that are intended to increase the sale have the mean of 3.640 and the standard deviation of 1.202. And the marketing activities that are intended to increase the goodwill have the mean of 3.520 and the standard deviation of 1.132. The marketing activities that are intended to increase the employee satisfaction has the mean of 3.730 and the standard deviation of 1.090. Those marketing activities that are intended to increase the quality have the mean 3.680 and the standard deviation 1.278. Furthermore, effective sales support has the mean of 3.370 and the standard deviation of 1.160. Also, advertising programs has mean 3.470 and standard deviation 1.087. However, sales promotions has mean of 3.320 and the standard deviation 1.188. The marketing activities that increase average customer spend has the mean of 3.350 and the standard deviation of 1.210. Last but not the least, those marketing

activities that have improved efficiency in service delivery has the mean of 3.300 and the standard deviation of 1.322.

Qualitative analysis

The study intended to compare the role of marketing expenditure on the sales performance between MNC and local pharmaceutical companies of Pakistan. The results and interview answers have proven this objective to be true. Sales resources can have an influence on the bottom line even though they are initially pricey since there is a clear correlation between marketing expense sales and revenue. Businesses that devote time and resources to R&D but not to sales will not gain to the same extent as those who invest in both the creation and the sale of their good or service. The same holds true for marketing in the present environment. The days of placing a billboard advertisement and waiting for the phones to ring up are long gone. A multichannel marketing strategy has the ability to reach completely untapped areas and draw in new clients. It may set firms apart from rivals in a crowded market. Thus, sales increase results in business expansion. To win over the consumers, marketing is crucial in articulating the brand's history and highlighting the major benefits of the goods. To put it simply, a business may not be recognised if its marketing and sales efforts are ineffective.

Conclusion and recommendations

Conclusion

The sales performance was significantly and positively influenced by marketing expenditure. This hypothesis proved to be true after the surveys, data analysis and interviews. Businesses may build brand awareness and expand their consumer base with the aid of marketing and promotional activities. These initiatives may be expensive, much like most commercial activities,

and businesses often account for these costs in their budgets. It is possible to keep track of costs and adhere to a planned budget with preparation and organisation.

The data was collected using a mixed technique approach, which included both questionnaire surveys and interviews. Utilizing a variety of strategies, research participants are given a voice, ensuring that the outcomes are based on participant experiences. Pakistani textile companies have been chosen as a target industry. The information was gathered from the managers and executives of MNC and pharmaceutical firms since a sizable number of buyers from all over the world actively seek for medicines made in Pakistan, which increases the profitability of the pharmaceutical industry. Additionally, a five-point Likert scale questionnaire was employed, and senior management members of the sample population participated in qualitative interviews. Secondary data from annual reports and main quantitative data is collected by survey methodology.

Marketing teams may stay within their set budgets and plan and prepare for forthcoming operations by keeping track of their spending. Tools for tracking expenses may also assist marketing teams in maintaining their budgets and preventing uncertainty about how much money is still available for expenditures. Another reason to keep track of marketing costs is that they may help with marketing analysis by giving a cost to contrast with success. To assess if the financial cost could have an impact on campaign performance, it might be useful to compare the costs of each marketing endeavour, for instance, if one marketing project was successful and another wasn't.

Practical recommendations

Pharmaceutical industries are no different than other businesses in need of a focused marketing strategy. The team will function more effectively and keep on task if the manager has his

marketing objectives and plans clear in mind. A pharmaceutical marketing strategy has to be a dynamic document that changes as your company expands. It should be adaptable to changing market circumstances and interruptions so the business can be positioned profitably. Pharma firms must take into account a variety of media platforms to profit from, new goods and innovations to include as they become available, and the most effective strategies for interacting with various target audiences. They need to balance empathy and analytics while maintaining consistency across all platforms with their successful marketing message.

The requirements, tastes, and behaviours of consumers may be better understood via market research. The target audience may be efficiently reached by using this information to adapt marketing activities. Digital marketing offers a practical and extensive means of contacting consumers. Customers may be engaged with and a strong online presence can be developed via social media, websites, email marketing, and online ads. In order to develop lasting connections with clients, it is essential to engage the customer. Pharmaceutical firms may adjust their offers by using client feedback to understand their requirements and preferences. Working together with healthcare providers may open doors to new consumer demographics and foster confidence among prospective clients. Marketers must make sure that all of their activities adhere to privacy laws in order to successfully build campaigns and measure the impact of such ads (like GDPR and CCPA). Marketers must remain current with the most recent developments in consumer targeting and behaviour insights in order to determine the channels that the target audience uses most often in order for marketing campaigns to be successful. These behavioural insights are essential for optimising the effectiveness of advertising and making the most use of marketing budgets. Pharma businesses who lack access to these marketing data may be wasting money and time on

platforms that won't provide the best results when it comes to leveraging their advertising budgets. Data analytics may be used to maximise marketing budgets and assess the effectiveness of marketing initiatives. Businesses may make data-driven choices and increase the efficacy of their marketing initiatives by analysing important indicators like website traffic, conversions, and customer interaction. It is possible to find areas for development and make sure that marketing expenditures are being spent successfully by regularly monitoring and evaluating marketing initiatives. The cost of the drug for the average person has been adversely affected by the price rise permitted by DRAP, necessitating a reconsideration and reinstatement of rigorous price control.

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