

Farmapronto: The story of a pharmaceutical business

Introduction

Farmapronto is a group of independent pharmaceutical entrepreneurs that works under the same corporate image and trade name (Farmapronto, 2022). Independent pharmacies use the Farmapronto brand as an image positioning strategy for their businesses and to maximize the supplier network. Farmapronto was created in 1993 to strengthen independent pharmacies that had difficulties surviving at a time when the large pharmacy chains were getting stronger. In 2023, Farmapronto had more than 560 drugstores. The protagonist of the case is Christian, who is a young independent entrepreneur, who started his entrepreneur career without previous business experience and who, after many difficulties, at the age of twenty-nine he already had three drugstores affiliated to Farmapronto. However, today he is in a crossroad where a decision must be made. Christian does not know what is best, if it is time to create his own brand, a new franchise system which will allow him a greater growth and profitability, or design a strategy to make his three drugstores more profitable in Farmapronto.

1. The story of Farmapronto

The story of Christian's family is interrelated with the Farmapronto brand. We first describe the story of the Farmapronto and then the story of how Christian's family expanded the independent business.

“The story goes back to 1993, when due to the entry of new players into the pharmaceutical market, such as self-service stores and large pharmacy chains, the independent sector was threatened and significantly diminished. These commercial

giants break the traditional scheme of buying and selling medicines, modifying the way the pharmacy operates, controlling the market in key cities and regions of the country, with the opening of a significant number of points of sale. An enterprising, dynamic, and visionary family decides to take the initiative of grouping local independent pharmacies, to create a group that generates competitive advantages, such as large volume purchases and automated systems that are translated into attractive market offers. Achievable benefits for independent pharmacies, only with the support of our renowned Farmapronto® brand” (Farmapronto, 2022). Today, Farmapronto has 575 branches distributed in 17 states of the Mexican Republic and continues adding new independent entrepreneurs. (NetLogistik, 2022).

The organization strategy of Farmapronto stands as follows:

“Mission: It is to ensure the comprehensive development of the independent drugstores affiliated with our chain. Vision: To be the largest independent drugstore chain nationwide, consolidated and operating. Values: Honesty, Work, Discipline and Commitment”. (Pharmasoon, 2022)

Christian's family was one of the pioneers in establishing the independent Farmapronto business; they were invited by a person who was the CEO of Farmapronto in Cuernavaca (a state in Mexico) in 1993. That person told them that if more people from his family entered, it would give him (them?) more benefits and commercial promotions. It seemed fine to them, and some relatives of Cristian from Cuernavaca decided to be part of the business and then the rest of the family from Mexico City. In total, fifty people from his family decided to be part of the business. Christian's parents

left their behind salaried job in Suburbia (a departmental store in Mexico) to start the new Farmapronto business. At first, they did double shifts in Suburbia and the new drugstore business, until the sales in Farmapronto finally grew up to the point where they were able to quit salaried work.

Some of the benefits that they were able to receive as business partners of Farmapronto were better discounts on medicines and other products, through the wholesaler called "Nadro", which oversees distributing all merchandise such as medicines and perfumery. These benefits could reach discounts of up to 30%, which made wholesale purchases attractive. In addition to this, they were recipients of credits to be able to buy more merchandise, in deferred payments from month to month.

Christian started working at his parents' drugstore at the age of fifteen, in 1998, which gave him extensive experience to open his first drugstore at the age of 21. With already two drugstores in the family of Christian, they began to hire other people. The sells were skyrocketing that Christian decided to get a third drugstore in 2013, before graduating as a Business and Marketing Administrator

2. Business model

A) Farmapronto

Farmapronto operates with the trademark use contract model. The purpose of the scheme is to create a new business as an organized store chain, respecting the status of the independent drugstore owners. The number of associates has increased through the years. There are two presidents, one in Mexico City and the other in the city of Cuernavaca. Although the president in Cuernavaca is the one with more power, each of the two

presidents rule over different states in Mexico. For instance, the one in Mexico City has influence in states such as San Luis Potosí, Oaxaca, Mexico City, among others. So, the logic of the business model operates under the idea that whoever has a drugstore in Mexico can be affiliated with Farmapronto. To do it, there is a standard procedure, for example, it is necessary to provide legal documents and permissions such as the one provided by the Federal Commission for the Protection against Sanitary Risks (COFEPRIS in Spanish). Once the owner of the drug store is affiliated to Farmapronto, he or she receives several types of benefits such as attractive discounts when buying products, the use of the image and the brand of Farmapronto, and the benefits related with its reputation in the market. Once someone is affiliated with Farmapronto, it is necessary to pay a monthly fee as a membership (how much?).

B) New Brand and/or franchise system

As mentioned, the business model of Farmapronto was based on a group of entrepreneurs that have a contract and operate under the same brand and image. At the beginning everything started with a group of people who decided to group different independent drug stores to provide a competitive advantage, for instance, buying to a great volume or systematizing some processes. However, Christian is considering the possibility of creating his own drugstore brand. Is very appealing for Christian the idea of a new brand to operate a system of drugstores. So, here the main question is: should he create his own brand of drugstores, or should he continue just being part of Farmapronto as owner of three drugstores?

C) The strategy to strengthen the business.

One of the issues of the business is related to the economic losses and the environmental impact due to the expiration of medications. The expiration of medications can reach the

figure of 8-10 percent of the inventory. On the other hand, currently, the pharmaceutical sector, like other sectors, is making efforts for taking environmental responsible actions aimed at having a more sustainable planet. Christian wonders if providing additional discounts on medications close to expiration can be a business strategy that might help to obtain additional revenues to Farmapronto. This measure might help to reduce the waste associated to expired medications, contribute to the sustainability of the earth, which in turn might have also the potential of improving Farmapronto's reputation.

3. The vision of the future

Christian wants to conquer different markets within Mexico, in addition to acquiring an infrastructure that allows him to build a medicine distributor with his own name (Farmacias+b) and no longer belong to the Farmapronto chain. Christian is a young man who wants to contribute to the community, and it seems very important to him to build a comprehensive strategy, from all angles, but above all to cover the needs of own production, logistics and social responsibility.

4. Final thoughts

A final thought is, so far, Farmapronto has been successful during the last decades, however, Christian is somehow at a crossroads to decide whether to continue with the business as usual or to enter a new endeavor to create his own drug store brand and or to continue being just the owner of three drugstores affiliated to Farmapronto. What should he do? What might be the obstacles that he might be facing if he decides to create such enterprise? What might be the costs of failing? These and other questions need to be considered before starting such endeavors.

5. References

- Farmapronto, S. (2022). *Farmapronto – Farmacias Farmapronto. Más salud al alcance de todos*. Grupofarmapronto.com. <https://grupofarmapronto.com/>
- NetLogistik. (2022). [Caso de Éxito] Farmapronto - Voice Picking Honeywell + WMS | WEP [Video]. Archivo de YouTube.
<https://www.youtube.com/watch?v=sd7T5ejSyOo>

Synthesis

The case presented takes into account the evolution and challenges of Farmapronto, which is a chain of pharmacies that are distributed in various parts of the Republic of Mexico. Belonging to this group has exclusive benefits for independent entrepreneurs who have their pharmacy and want to partner with it so that they have a strengthened brand with excellent quality suppliers. Christian is the protagonist of the story, he is a young entrepreneur, who decided to join the pharmacy network, and who seeks to expand and strengthen his business. That made his business grow, but he has a dream to fulfill, that often does not let him sleep, so he needs to make an important decision that marks the new direction of his business, make more sustainable adjustments or its structural strengthening.

Courses and levels to which the case is directed

This case can be studied in programs related to business administration and in an MBA. The subjects in which it can be used are: Human Resources Management, Strategy and Innovation.

Topics

- Human Talent Management
- Innovation
- Sustainability
- Leadership
- Strategy

Learning Objectives

General

Evaluate the possible strategic options faced by the protagonist of the case, focusing on the creation of a new brand, the implementation of a franchise system or the permanence in the Farmapronto alliance.

Specific

- Analyze the contract model adopted by Farmapronto and its impact on affiliated independent pharmacies.
- Examine Christian's proposal on granting discounts on medicines close to expiry as a strategy to generate additional revenue and contribute to sustainability.
- Analyze Christian's future to conquer new markets, establish his own drug distributor, examining the strategic and social implications of his aspirations.

Competences

Farmapronto's case study provides a rich platform for the development of various business competencies and practical skills in students, as detailed below:

- Strategic Analysis, Business Adaptability & Resilience, Business Communication, Business Vision, Business Decision Making, Critical Thinking & Problem Solving, Leadership Skills, Business Modeling Skills, and Effective Sustainability Models in Business.

Activities

Before the session

Individual work (4 hours)

- 1) **Case text:** Carry out the reading and analysis of the Farmapronto case, including information on the business model, strategic decisions and challenges faced.
- 2) **Make a visual presentation:** the key points of the case, such as Farmapronto's business model, Christian's evolution as an entrepreneur and the strategic decisions he had to face, as well as those that the students project.
- 3) **Scan on:**
 - a) Articles on franchise models, success stories of pharmaceutical entrepreneurs, strategies to reduce losses in products close to maturity and corporate social responsibility in the pharmaceutical sector.
 - b) Prepare a report on statistics and market data that contextualizes the situation of pharmacies, whether independent in Mexico, including a SWOT and PESTLE, in which it is possible to visualize the competition with large pharmaceutical chains and the changes in consumer behavior.
- 4) **Read the document:**

Bade, C., Olsacher, A., Boehme, P., Truebel, H., Bürger, L., & Fehring, L. (2023). Sustainability in the pharmaceutical industry—An assessment of sustainability maturity and effects of sustainability measure implementation on supply chain security. *Corporate Social Responsibility and Environmental Management*. <https://doi.org/10.1002/csr.2564>

In case preparation, the student must answer the following questions:

1. **How would you describe Farmapronto?**
The student must identify substantial information about the creation, mission, organizational chart, products, and management of the company.
2. **What are the advantages and disadvantages of the branded use contract**

model adopted by Farmapronto for affiliated independent pharmacies?

This involves the ability to understand the business environment, identify opportunities and threats, and formulate effective strategies.

3. How might Christian's decisions affect the profitability and autonomy of his pharmacies?

The student will prepare a fish diagram or Ishikawa diagram, in which the evolution of decisions about profitability and autonomy of their pharmacies is seen, and possible positive and negative consequences.

4. What other strategies could be implemented to address the economic losses and environmental impact associated with drug expiration?

Students have to analyze the level of Corporate Social Responsibility and Sustainability that Christian has and establish if it is enough or if he has to lead a new strategic proposal that covers more aspects in this dimension.

During the session

Small group work (40 minutes)

At the beginning of the class in which the case will be analyzed, the teacher will review the presentations that the students have made individually. The review will last 3 minutes per team.

Teams of five people will be established, in proportion to the specific number of the class. To be able to make an interactive and creative simulation, with Legos, using the Legos Serious Play methodology, so that students can simulate strategic decision-making, such as the creation of a new brand or the implementation of a franchise system. They will have to build pharmacies, name them, establish their growth and talent management, reflect on their challenges and challenges. When the 20-minute time is over, there will be a short reflection, lasting 10 minutes, in which a spokesperson from each group will share in two minutes about the difficulties they encountered in this simulator induction.

Plenary Session (70 minutes)

1. Company Description	10 min.
2. Business Strategic Analysis	10 min.
3. Business Modeling	10 min.
4. Business Decision Making	10 Min.
5. CSR and Sustainability	10 min.
6. Strategic Vision & Business Transformation	10 Min.
6. Conclusions	10 Min.

Triggering Questions

1. How has the brand usage model contributed to Farmapronto's expansion and consolidation in the pharmaceutical market?
2. What advantages and disadvantages might creating your own brand and implementing a franchise system have in the context of Christian's story and goals?
3. How could the pharmaceutical industry more effectively address the problem of drug waste and its environmental impact?
4. What are the key differences between creating a new pharmacy brand and establishing a franchise system? What would be the determining factors in the choice between these two models?
5. How do you assess Christian's vision of conquering new markets, establishing a drug distributor and building a hospital?

Whiteboard Plan

The following distribution of the information resulting from the discussion is suggested, based on the guidelines of the teaching note:

Company Description	Strategic Analysis	Business Modeling	Business Decision Making	CSR & Sustainability	Strategic Vision & Business Transformation	Conclusions
Origin Evolution Mission Vision Values	Business environment SWOT PESTLE Effective Strategies	Identification of business models Creating a new brand Franchises	Fish Diagram Projections Christian's Leadership	Organizational culture based on CSR and sustainability Sustainable Operations	Conquering new markets Distributor Hospital State-of-the-art technology	It highlights the crucial role of long-term vision and social responsibility in building successful and socially conscious companies.

Analysis

For the analysis of the case, it is important to plan the seven segments according to the blackboard plan outlined above:

First Segment: Company Description

Facts to consider:

- Origin
- Evolution
- Mission
- Values

It is suggested to start with the following question to students: How would you describe Farmapronto? Is it a profitable business model in the long run?

Students will have to discuss in a thoughtful way about the data incorporated in the case and also about their search in secondary sources of the characteristics of the Farmapronto company.

Second Segment: Strategic Analysis

It is important for students to know the business environment of Farmapronto, so it will be important to review in detail the results they obtained in their SWOT and PESTLE analysis, in order to establish effective, appropriate strategies that can address the challenges in a comprehensive manner.

Third Segment: Business Modeling

The teacher will ask the spokespersons of the groups established above, to share about their exploration of the environments, the identification of business models they found, the creation of a new brand and the mode of establishing franchises.

Environments positively or negatively influence the growth of organizations, so it is important that they know and implement the VUCA management model, for this they will make a double-entry table with the title of operational strategies, and in the rows they will head listed the business model they choose as best to adapt it to the case, the creation of a new brand and also for the challenge of becoming franchises

Fourth Segment: Business Decision Making

Students will share their results in the Fish Diagram plenary, along with projections and their impressions of Christian's leadership. This will be added up on a white board, which each team will have to complete, and there will be another large general blank in which the teacher will complete with each different idea of the different groups, to have an overview of how decisions are made and which are the best to solve the case of Farmapronto. It will take about five minutes to make a salon decision in favor of Christian's business benefit.

Fifth Segment: CSR & Sustainability

The student will break down within the organizational culture of Farmapronto, those initiatives, ethics, values, that are based on CSR and sustainability. Carefully reviewing the sustainable operations they may have and establishing five initiatives by consensus in their initial group, which will become a sustainable project for Christian in his pharmaceutical business. Sort by execution priority which ones would be most urgent, justifying their response.

Segment Six: Strategic Vision and Business Transformation

Students will learn how to plan and execute long-term strategies to conquer new markets, how to contribute to the design of a distributor and the creation of a beneficiary hospital for people in vulnerable situations. To do this, they will review scientific articles, in which they can extract the practices of successful cases in these three lines of business transformation. It even includes state-of-the-art technological tools that help Christian automate processes and optimize resources.

Seventh Segment: Conclusions

The teacher will ask the students about the lessons they learned from the case and what can be concluded after the analysis. Students are expected to highlight the crucial role of long-term vision and social responsibility in building successful, socially conscious companies.

Epilogue

The COVID-19 pandemic brought an acceleration of growth in the pharmaceutical industry, but in the endemic pharmacists have to adopt new strategies to maintain the profits of their products. It is important that we take into account the economic loss and environmental impact associated with the expiry of medicines, which are significant challenges for the pharmaceutical industry. In addition, to fulfill a personal purpose, which does not cling to settle for the consolidation of a business, but to be able to realize dreams that are projected with quality and that are profitable.

References:

- Bade, C., Olsacher, A., Boehme, P., Truebel, H., Bürger, L., & Fehring, L. (2023). Sustainability in the pharmaceutical industry—An assessment of sustainability maturity and effects of sustainability measure implementation on supply chain security. *Corporate Social Responsibility and Environmental Management*. <https://doi.org/10.1002/csr.2564>