MARKETING ACTIVITIES UNDER RESTRICTIONS: TRENDS OF THE PHARMACEUTICAL MARKET IN RUSSIA

Abstract:
The article is devoted to the identification and systematization of trends and changes in the marketing activities of the Russian pharmaceutical companies under the influence of new restrictions caused by sustainable agenda, Covid-19 pandemic, and international sanctions in 2022. Based on the theoretical justification and analysis of specialized industry research, the authors try to illustrate the impact of critical situations on changing the directions and guidelines of management decisions. The methodology of the study based on the analysis of relevant scientific publications, as well as the collection and systematization of secondary data from official websites of pharmaceutical companies, specialized research, and consulting reports for the last 5 years. Thereby, the following changes were identified in the marketing activities of companies in Russia: B2G marketing; implementation of alternative marketing campaigns (volunteering); shifting the focus of the company's marketing from maximizing advertising activities to strict optimization of costs.

1. Introduction, Objectives, and Research Question

Over the past decade, marketing activities have undergone major changes under the influence of the sustainable agenda, the Covid-19 pandemic, and the sanctions of 2022 in Russia. However, at the beginning of 2022 the importance of the problem has greatly increased due to the emergence of stricter restrictions, the reaction to which becomes primary both in the economy and marketing activities of companies. Hence, in the paper the emphasis is on identifying changes in the marketing activities of companies in the post-pandemic and crisis time with a focus on the pharmaceutical market. This industry has been greatly transformed because of the digitalization during the Covid-19 pandemic, and today it undergoes significant changes due to sanctions and disruptions in supply chains.

In this regard, *the main research question (RQ) is about the necessity (or lack thereof) of adapting the marketing in companies due to the new restrictions and consequences of the pandemic and the sanctions.*

Accordingly, the *purpose of this work* is to identify and systematize changes in the marketing activities of companies under the influence of new restrictions in the post-pandemic and the sanctions period. This goal reveals through the following tasks (objectives):

1. To identify the pharmaceutical market trends in Russia and their impact on the marketing activities of companies.

2. To systematize the identified changes in marketing activities on the pharmaceutical market of Russia.

3. To create a map of changes in marketing activities and test it on a Russian pharmaceutical firm (in the further research).

The conclusion reflects the key findings and further research directions in the context of marketing as one of the most important tools to increase the firm's resilience during the period of restrictions.

2. Conceptual Framework, Method, and Research Sources

The paper applies theoretical methods, methods of desk research (analysis of secondary data), as well as content analysis as a method of data selection and processing.

At the first stage, the authors identify and describe the marketing trends in the pharmaceutical industry. For this purpose, in total 15 specialized studies and consulting reports were selected and analyzed regarding the following groups: 1) marketing and business studies of the pharmaceutical industry's development in Russia (Accenture, Gfk, («The response...», 2021), etc.); 2) highly specialized reports on the dynamics of the pharmaceutical market (IQVIA, DSM Group); 3) research on the adaptation of a sustainable agenda including the pharmaceutical industry (Dentsu, EY, RUIE); 4) other sources (Mediascope, MarTech, regulations).

Research selection criteria: *relevance* (corresponds to the research topic by keywords: «marketing trends», «pharmaceutical industry», etc.); *novelty* (not older than 2018); *reliability* (companies and experts conduct research for at least 10 years).

The trends were obtained using the method of «overlay» and repetition of key patterns in studies. In this paper, the authors follow such logic of identifying trends as: if the condition described in the reports repeats at least 3 times, it can be mentioned as a trend.

At the second stage, information from 6 official and media sources of pharmaceutical companies, which demonstrated «the best sustainable practices» mainly during the pandemic, was analyzed: 1) official websites of pharmaceutical companies (Evalar, Pfizer, Servier, Teva); 2) industry media resources (Medvestnik, 2019; Volontery-mediki, 2020).

Based on the studied materials and identified trends, key changes in marketing activities are presented further.

3. Findings

3.1. Marketing trends in the coming years

Undoubtedly, the pandemic was the catalyst for some changes, which had a strong impact on consumer behavior and, as a result, on the marketing activities of companies *(Appx. A, Fig. 1)*. According to the report (Nielsen, 2020), the number of online purchases has increased significantly, especially in the FMCG segment with a share of 5% of the total market in physical terms. According to (Data Insight, 2022), marketplaces continue to hold the position as the fastest growing sales channel since 2019 – precisely, 64% of sellers note the continued growth on marketplaces since the beginning of the lockdown. In addition, the active digitalization of marketing began at the end of 2020. Referring to (MarTech Alliance, 2022), in 2021 global IT in marketing expenses reached more than 340 billion dollars. However, today the issue of revising and changing the common marketing functions is acute – the key task of a marketer is to find new counterparties to preserve the value chains of companies.

3.2. Pharmaceutical market trends in Russia

The trends presented below *(Appx. B, Fig. 2)* were collected and summarized by the method of «repetition and overlap» (see section 2):

1. *The increasing importance of the sustainable agenda.* In Russia more than 60% of pharmaceutical companies have already developed and implemented a sustainable policy and its principles in their activities (EY, 2022).

2. *Changes of consumer behavior.* The Covid-19 pandemic and the digitalization have also had a significant impact on consumer behavior. According to (Accenture, 2020), consumer behavior patterns have transformed: now 51% of consumers order goods and services through the apps, 45% of them use delivery services, and 35% – use virtual consultation services.

3. *Changes in sales channels.* According to IQVIA report, the market grew by 5.8% in value, but decreased by 12% in volume in comparison with the previous period. The growth was mainly due to an increase in the state segment (21%), while the retail segment grew by only 0.2% (IQVIA, 2021). A serious issue during the pandemic was the restriction of access to doctors, which play a significant role in influencing the decision to purchase a patient (Tretyak & Klimanov, 2016; Klimanov et al, 2021). This circumstance was one of the key factors in the development of virtual healthcare.

4. *Efforts behind price control.* There is a disruption of supply chains in the pharmaceutical industry, which is highly dependent on the import of substances and active pharmaceutical ingredients (API), the production of which prevails in China and India (about 85% of substances are imported) («The response...», 2021). Price becomes one of the key factors in optimizing the costs of companies.

5. *Market consolidation, new sales channels, and the state's role.* The role of the state in industry is great and will only increase soon («The response...», 2021). In this regard, the question of the possibility of developing a state (non-profit) segment of the market (e.g., volunteering and charity) is acutely raised.

Thus, under the influence of three key factors, marketing activities not only acquire new accents, but also undergo serious changes in the Russian pharmaceutical companies. Based on the identified changes, it becomes possible to create a map, which illustrates the key accents of marketing by functional components *(Appx. C, Fig. 3)*.

4. Discussion

Today marketing in Russia undergoes significant changes, and traditional marketing functions will change due to the strict restrictions. However, these changes have a delayed

effect. Therefore, theorists and practitioners need to find the answer how to preserve and recover the company's value chains and what marketing functions should be changed.

5. Conclusion

Thus, the most important task of marketing activity is to find ways to restore and save the chains of inter-company interaction. Hence, the key conclusions are:

– the development of the long-term relations of pharmaceutical companies with the public sector in order to increase the stability (resilience) of the company in the market;

– the implementation of alternative (non-commercial) sales and promotion channels through the volunteering. A significant advantage of this practice is a positive impact on the image and reputation of the company;

– the control of margins and competent implementation of the price function. In times of instability, it is extremely important for pharmaceutical companies to optimize costs in order to maintain the availability of medicines for patients, while considering the rise in the cost of logistics and materials.

6. Limitations

Firstly, limitations related to the specifics of secondary information (the reports and studies considered in the paper imply a different methodological base and were conducted at different times). Secondly, the conclusions of marketing activities' changes are difficult to implement in other industries. Moreover, the paper reveals the marketing activities in the form of a «time slice» by functional components («5P») *(Appx. C, Fig. 3)*. However, it should be noted that the functions of marketing may change in the future under the influence of external factors, which will become another direction of research.

7. Further research and Managerial Implications

Thereby, it is important to identify some directions of further research: 1) the identification of new marketing functions and tasks of marketers in order to attract stakeholders to restore the value chain; 2) the evaluation of the effectiveness of non-commercial forms of distribution and quantitative measurement of sustainable practices; 3) the determination and control of changes in the value chain in conditions of sanctions. As for the managerial implications, the key conclusions can become the basis for decision-making by top managers within the framework of improving marketing functioning in the post-pandemic and crisis period. These issues will be reflected in subsequent works.

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Changes in scope

Changes of consumer behavior

– online shopping;
– rationalization of choice;
– health and safety are a priority;
– attention to eco-friendliness;
– the search for benefits provided the reduction of income;
– limited movement.

New players and focus on technology

– intensive growth of platforms and marketplaces;
– personalization (by default);
– active introduction of omnichannel and new technologies;
– widespread digitalization.

Redistribution and activation of marketing functions

– reduction of traditional marketing functions;
– search for ways to preserve and restore value chains;
– appeal to traditional channels (TV, outdoor advertising);
– search for new tools and metrics.
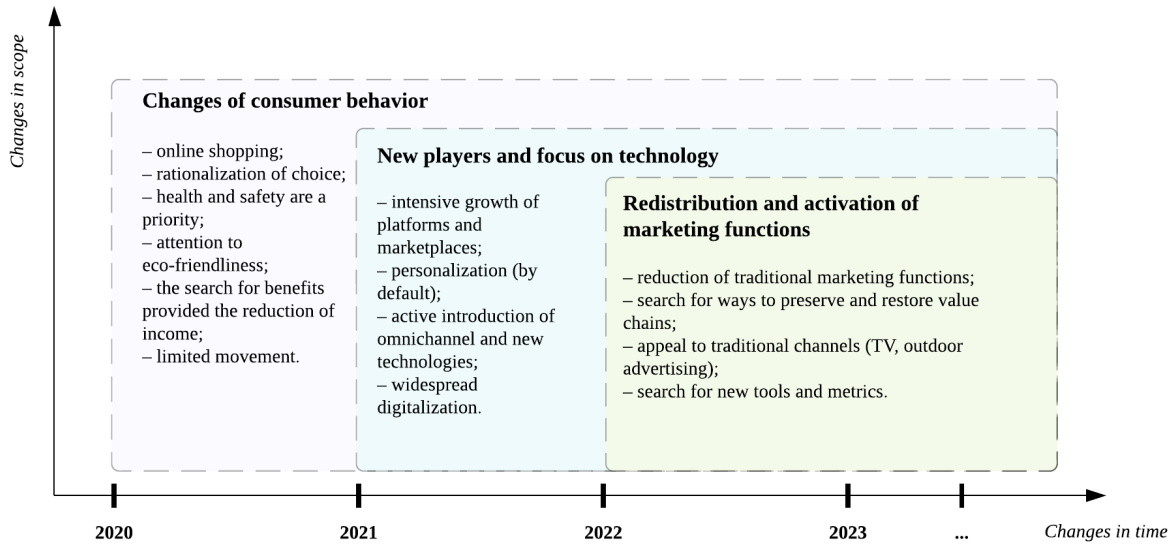
| 2020 | 2021 | 2022 | 2023 | ... |

Changes in time

Fig. 1. Marketing trends in the coming years in Russia
Source: compiled by the authors based on (Nielsen, 2020; Data insight, 2022)

Influence on marketing

ESG agenda

– Expansion of marketing strategies (inclusion of a sustainable agenda);
– Development of voluntary and mandatory initiatives by the State;
– The emergence of hybrid (sustainable) business models.

Covid-19 pandemic

– Changing consumer behavior (changing priorities);
– Revision of distribution channels and provision of services (development of the online channels);
– The emergence of more complex organizational structures (ecosystems).

Impact of sanctions

– Breaking the chains of interaction (in almost all industries);
– Reduction of marketing functions;
– Search for new channels to increase the resilience of companies.

| 2015 | 2019 | 2022 |

The key consequence

External restrictions

Accelerating digitalization

Breaking chains and structural changes

Trends in the pharmaceutical market in Russia

Increasing importance of the sustainable agenda:
– Requirements of the world community;
– Development of Russian regulation.

Changes of consumer behavior:
– Digitalization;
– Change of priorities, etc.

Changes in sales channels:
– Unavailability of doctors (due to heavy workload in the pandemic).

Market consolidation and new sales channels:
– Vertical integration;
– Own sales channels.

Efforts behind price control:
– Increase in the cost of raw materials (substances) and equipment;
– Disruption of logistics chains;
– Decrease of household incomes.

The increasing role of the State:
– State distribution channel.

☐ Significant impact on the Russian market   ⌐⌐ General trends (since the beginning of the pandemic)   ⇨ Overall impact on the Russian economy   ⌐⤍ Impact on the pharmaceutical industry
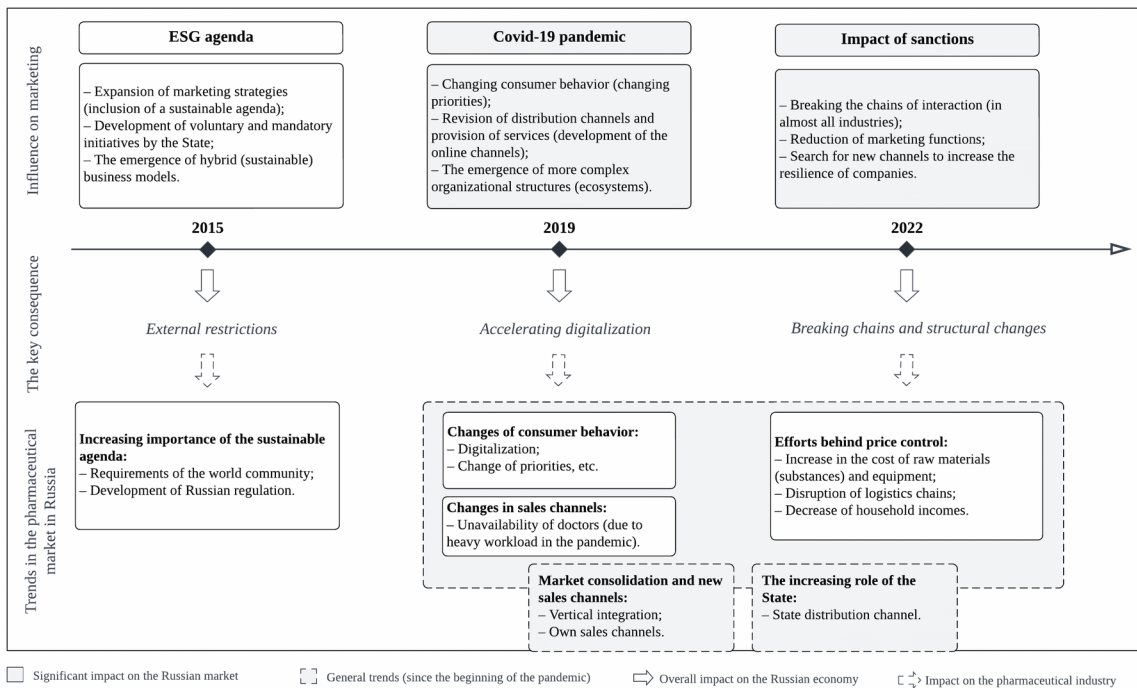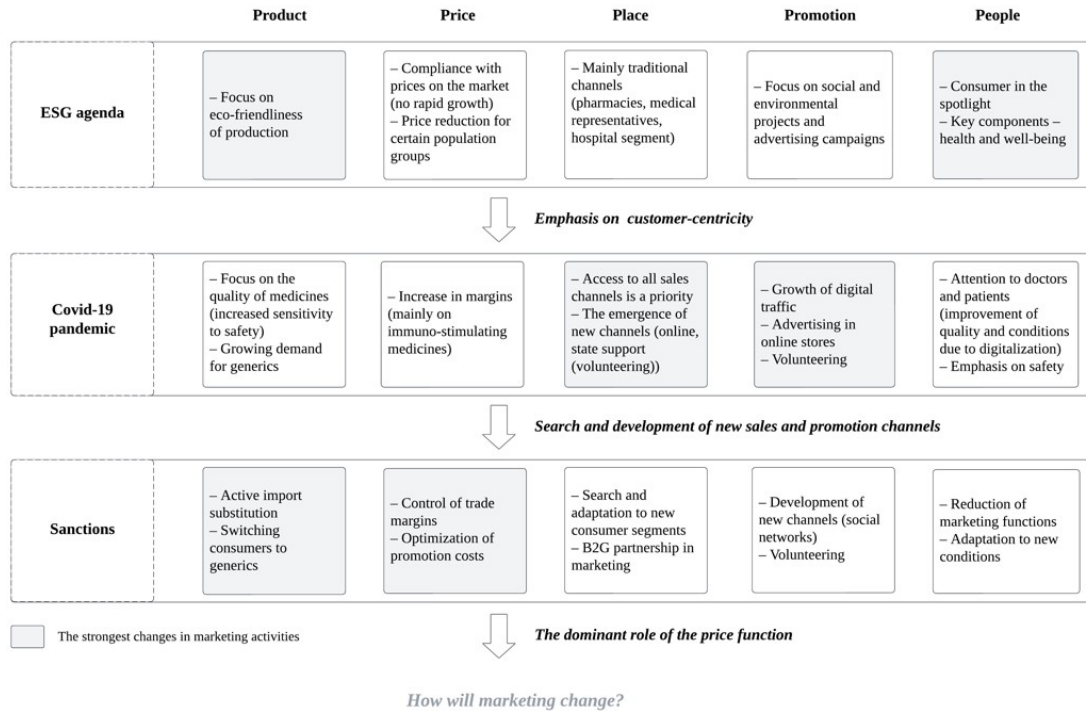
Fig. 2. Influence of key factors on changes in marketing activities
Source: compiled by the authors based on (Ferrell et al, 2021; Hoekstra et al, 2020, «The response...», 2021)

Fig. 3. Map of changes in marketing activities
Source: compiled by the authors based on (Accenture, 2021; Dentsu, 2022; EY, 2022, DSM Group, 2021, 2022)