

Retail Pharmacy in Nigeria: An Analysis for Entry by Walgreens



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1. Executive Summary

This paper analyzes Walgreens' potential entry into retail pharmacy in Nigeria, which currently represents a \$3 billion market. In the largest economy in Africa, the need for regulated, low cost pharmaceutical medicines and low-cost healthcare services is great. Currently, many Nigerians cannot afford basic healthcare services, medicines to treat infections and vaccinations to prevent the spread of disease. The retail pharmacy industry is growing, yet the highest quality stores are located in only a few cities and mostly available to the upper class.

Walgreens is the largest retail pharmacy in the U.S. and is rapidly expanding into the global market. Over the last few years, it has successfully partnered with AmerisourceBergen and Alliance Boots to increase its distribution capacity and expand into the European market, a strategy that can be used for expansion beyond Europe into Nigeria's emerging market.



Walgreens can deliver a retail pharmacy product that provides reliable and regulated prescriptions and quality, low-cost healthcare services. Walgreens already has the business model in place to successfully deliver their product to U.S. consumers through over 8,000 storefronts across the country. Nigeria has many retail pharmacy storefronts in operation and several options for access to healthcare and pharmaceutical services. The challenge for all of these currently operating companies and consumers is to ensure that the products sold and used are not counterfeit and reasonably priced. There is a great deal of competition in the retail pharmacy and drug market, however, a reliable chain of stores across many cities in Nigeria has yet to emerge.

2. Situational Analysis

2.1. Market Opportunity

Americans filled more than 4 billion prescriptions in 2010 at 60,000 retail and specialty pharmacies. Total global industry revenues exceeded \$277 billion (Ullmann 2011). Nigeria, which represents the African continent's largest economy, is emerging as a market opportunity for international companies in several fields and industries. The Nigerian retail pharmacy industry is

one of these emerging areas, as the pharmaceutical industry alone represents a \$3 billion market. The current retail pharmacy picture in Nigeria is fragmented, with no real dominant industry leader. This presents an opportunity for an experienced global company to break into this market.

Walgreens is currently the largest drugstore chain in the United States, with a total of 8,582 locations. Since 2012, it has made decisions to expand its presence significantly in the global market, through strategic partnerships that have increased its distribution capacity to efficiently meet worldwide demand (Walgreens Annual Report, 2013). The advantage that Walgreens has in entering the Nigerian market is that the basic needs of healthcare and pharmaceutical services are not being adequately addressed by the government or a private entity.

Less-developed countries in Asia, Latin America, and Africa tend to have tight ownership and licensing restrictions, so that their pharmacy sectors look more like Continental Europe, rather than the U.S. In many of these developing countries, regulatory oversight is constrained by governments which lack the enforcement staff, budgets, or regulatory and judicial framework that exists in developed countries. Enforcement is made particularly difficult because the retail market in most low-income countries is highly fragmented: the number of formal pharmacies is small compared to the many different types of retailers, such as dispensing doctors, medicine sellers, drug sellers (local, independent, drug re-sellers and street vendors), and general stores that also sell a variety of drugs and health care remedies (Strong, 2014).

Total government expenditure on health makes up only 5.3% of the Nigeria's total GDP, which places it 127th in the world in health expenditures (CIA, 2014). This presents an incredible opportunity for the private sector to step in and provide a solution. Nigeria is in need of a retail pharmacy that has the capital to create a multi-city presence, a reputation for reliable and regulated prescription drugs and the added ability to provide additional healthcare services in one location.

2.2. Economic Environment

Nigeria is considered a fast-growing, emerging market, however, it continues to face nagging policy, societal, and political instability issues that have plagued the economy. Some consider Nigeria an “emerged economy” as it is among the most developed countries in Africa and is viewed as a part of the “Next Eleven” global economy tier (right below the “BRIC” economies of Brazil, Russia, India and China) (Weisenthal, 2011). In April of 2014, the Nigerian economy was ranked 26th in the world based on GDP and is the largest economy in the African continent (Wikipedia, 2014). It is also on track to become one of the 20 largest economies in the world by 2020. Nigerian GDP at purchasing power parity (PPP) has almost tripled from \$170 billion in 2000 to \$451 billion in 2012, although estimates of the size of the informal sector (which is not included in official figures) put the actual numbers closer to \$630 billion. Correspondingly, the GDP per capita doubled from \$1400 per person in 2000 to an estimated \$2,800 per person in

2012. According to a Citigroup report published in February 2011, Nigeria will get the highest average GDP growth in the world between 2010 and 2050 (Buiter 2011).



The world's economic centre of gravity, 1980–2007 (black) and extrapolated 2010–2049 (in red, reduced size, italicized), at 3-year intervals. Quah (2011), Citi Investment Research and Analysis

Mismanagement and corruption are the biggest roadblocks to Nigeria's economic success. To combat this, Nigeria has implemented recent reforms to help drive out mismanagement and corruption within its economy. This has helped its growth, but the country still suffers from an underperforming manufacturing sector and unemployment. Nigeria benefits from natural resources, including fossil fuel resources which are a main contributor to the economy. However, the Nigerian economy is struggling to leverage the country's vast fossil fuel wealth to displace the poverty that affects about 45% of its population (African Development Bank, 2014). Nigeria's economy suffers from what economists call the "resource curse," which refers to the paradox that countries and regions with an abundance of natural resources, specifically point-source non-renewable resources like minerals and fuels, tend to have less economic growth and worse development outcomes than countries with fewer natural resources.

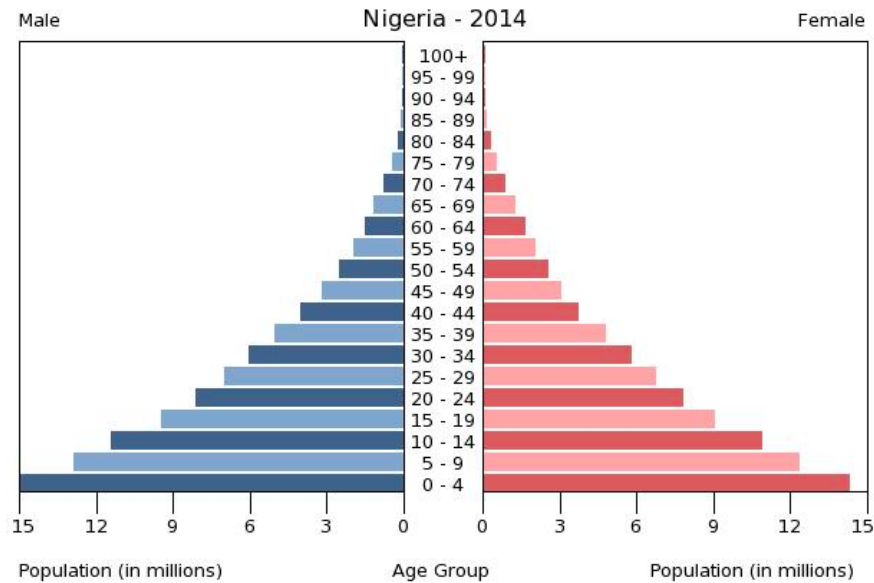
The economic outlook for the pharmacy sector in Nigeria is strong. Nigeria is ranked 12th among low-income countries when considering the private expenditure on health (Lowe, 2009). According to the World Health Organization, the Nigerian population is spending more on healthcare every year. Statistics on child malnutrition show a steady decrease in anthropometry for children younger than 5 years (NLIS, 2014). Much of the gains are due to a growing economy, better access to healthcare, and the rise of the retail pharmacy sector.

2.3. Socio-Cultural Environment

The Nigerian socio-cultural environment consists of three major tribes that make up a majority of the population. The most numerous ethnic groups in the northern two-thirds of the country are the **Hausa** and the Fulbe/Fulani, the overwhelming majority of whom are **Muslim**. The official

language spoken is English and in addition to the major tribal language of Ibo, Yoruba and Hausa, there are over 250 additional tribal dialects and languages spoken throughout the country. The most significant socio-cultural environment to consider is the age demographics in Nigeria.

Class and age are also used as a determinant of a person’s intelligence. Those who are older in age and with higher educations are often granted the privilege of leading groups, teams and making decisions. However, Nigerians aged 0-25 years make up almost 65% of the population.



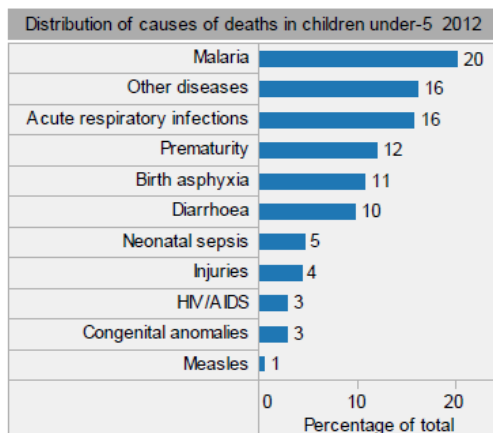
Age Group	Population	Male	Female	Percent
0-14	58,736,297	30,462,148	28,274,149	41.83%
15-64	77,158,732	38,348,799	38,809,933	54.94%
65+	4,536,761	2,534,541	2,002,220	3.23%

Total and Percent Distribution of Population by Age (Census 2006)

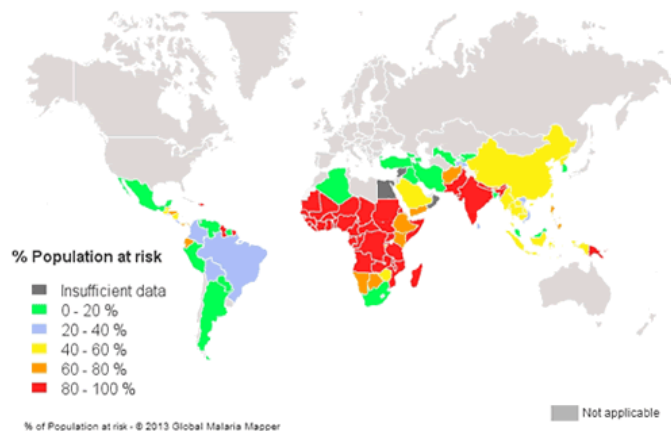
Nigeria is a primarily “male centric” society and the male adult of the household makes most of the decisions regarding important issues and consumption of goods. In Nigeria, polygamy is acceptable and males continue to exert the majority of power over the average household. However, over the last decade, a significant socio-cultural trend has consisted of a higher percentage of female education resulting in more women actively contributing to the economy and an increase in family dependency on women in the household. As female enrollment in primary and secondary education has increased over the last decade, the number of eligible women in the white collar workforce, and consequently, their disposable income, has also increased (Social-cultural trends in Nigeria, 2012).

The close-knit and extended families are still prominent today in Nigeria. In the case of dependents such as parents, they will most often be taken care of by all the children, rather than just one or just the eldest. The children share the responsibility to care for and support those they look after (such as younger siblings). Lack of a social security system keeps the dependence on extended-family support high, at 84.1% (Lin, 2013).

Nigeria, like most other African countries, is an agricultural-based society, where that industry provides work to over 90% of rural Nigerians. In urban and rural areas of Nigeria, men and women often supplement the healthcare they receive with the use of traditional medicine and healers. According to research, traditional medicine "refers to practices and approaches that apply, separately or in combination, of plant, animal and mineral-based medicines, spiritual therapies, manual techniques and exercises to diagnose, prevent and treat illnesses, or maintain or enhance well-being". According to statistical data, traditional medicine makes up 80-90% of healthcare in Africa (Mafimisebi, 2010). In some of the traditional medicine practices that exist in rural and urban communities, supernatural or magico-religious practices often exist and are a major part of the belief and healing process. Due to these associations, many Nigerians believe that traditional medicine may only be effective if incantations are recited during preparation and administration. With the socio-economic environment still heavily aligned with traditional medicinal practices and their link to superstition, a successful product launch and entry into the market must consider these widespread views, especially in rural areas.



(in Nigeria, WHO 2013)



(Map showing % of population at risk, from Global Malaria Mapper)

From a larger health perspective, Nigeria (and most of Africa) is most impacted by the Malaria virus. According to the World Health Organization, in 2012, malaria caused an estimated 627,000 deaths (with an uncertainty range of 473,000 to 789,000), mostly among African children. Moreover, Malaria is the most common cause of death in children, even though it is preventable and curable.

2.4. Political, Legal & Regulatory Environment

Nigeria is a country governed by a president by way of a democratic republic. The president is the head of state and its government consists of multiple parties. The legal environment in Nigeria is comprised of English common law, the constitutional law and Islamic law. Islamic law is usually only implemented and enforced in the northern states where the Islamic religion is more dominant. The Nigerian legal system has historically used English common law to enforce property rights while Islamic law focuses on human rights such as free speech (Lin 2013).

Acquiring land, obtaining leases, and moving product is difficult and can be a significant barrier to entry in Nigeria. Further complicating the prospects of large scale operations of physical goods is an antiquated port and shipping system. In most developed countries, goods are transferred off cargo ships and reach their end destination within 24-48 hours. However, in Nigeria, this could take up to 3 months. The deterioration in the railroad system has forced companies to rely on more expensive road transport (Globaltrade.net 2011).

The outlook is not all bleak for MNC's interested in Nigeria: 100% foreign ownership is permitted in all industries outside of oil (natural resources), shipping & transport (Cabotage Act), insurance, and specialized services such as law. There are some specific tax incentives for companies who invest in economically disadvantaged areas, capital allowances for building expenditures, and guarantees against expropriation (the Nigerian Investment Promotion Commission Act guarantees that no enterprise shall be nationalized or expropriated by any government in Nigeria). In fact, in the past 24 months, the retail sector has seen a 30% rise in international interest.

The regulatory environment is subpar in many forms of business law and international rights. There seems to be a severe lack of regulations regarding local company ownership and protections. Many firms have taken on a multinational ownership structure to eliminate tax responsibilities, sidestep operations regulations and also operational visibility. Due to the regulatory environment, a new foreign company must obtain the necessary permits and licenses to do business in the country. The Federal Ministry of Internal Affairs handles the issuance and approval of these items.

A large regulatory influence on the food and drug sector of Nigeria is the National Agency For Food and Drug Administration and Control also known as NAFDAC. This Nigerian agency is responsible for the regulation and control of all drugs at the Federal and State level in Nigeria. The NAFDAC implements the production and product standards for quality control and process expectations in the drug industry, while also maintaining responsibility for inspecting production facilities and certifying them.



However, Nigeria is one of a number of developing nations whose pharmaceutical system has been impacted by corruption and has struggled to curtail the production and trafficking of substandard drugs; the weakest areas are drug registration and inspection of ports. At the local

level, with respect to independent pharmacies, the system in Nigeria remains fairly vulnerable to corruption with deficiencies such as the absence of conflict of interest guidelines, the inconsistency in documentation of procedures, lack of public availability of such documentation, and inadequacies in monitoring and evaluation (Habibat, 2009). The US State Department warns companies speculating to do business in Nigeria to implement anti-bribery compliance programs with local agencies and Nigerian partners to help curtail corruption.

A 2011 survey by the World Health Organization found that 64% of antimalarial drugs were fake. Over 70% of drugs consumed in Nigeria are imported from India and China, widely seen as the biggest source of counterfeit drugs (The Economist, 2014). Retail pharmacy stores with a reputable supply chain could be of significant benefit to the underserved urban and suburban populations in Nigeria. Currently, retail prescriptions are expensive, however, the establishment of a modern retail pharmacy chain will both improve the access to safe drugs and drive the cost of prescriptions drugs down in urban and suburban areas that are underserved.

2.5. Technological Environment

The US State Department notes that Nigeria has an absent or poorly-maintained power, telephone, water, road, railroad, river, and port infrastructure. Many investors must provide their own power, water, and access roads – which results in costs that undermine local and international competitiveness. Total growth rate of the Nigerian Telecom Industry was approximately \$10 million in 2004 and grew to approximately \$64 million by 2009. This growth, combined with the consolidation of Internet Service Providers and other telecom sub-markets in Nigeria since 2009 shows that the entire technology industry is maturing.

Retail pharmacy depends on access to reliable electrical, water, sanitary, and data service. To illustrate the dearth of traditional infrastructure in Nigeria, the state-owned fixed-line telephone system has become so severe that only an estimated 15,000 landline telephone numbers operate in the country, however there are an estimated 93.5 million cellular telephone numbers. Most entrepreneurs conduct business operations by cellular phone or wireless Internet connections, although high-speed, broadband connections have begun to become more available in the cities of Lagos and Abuja. Nigeria is skipping over historically typical industrialization steps and making giant leaps in science, technology, and overall communication infrastructure in the 21st century.



Walgreens must adjust their approach in light of the country's non-traditional policies. This presents both a challenge and an opportunity for Walgreens and other prospective MNCs entering the Nigerian market. Retail pharmacy sales and distribution will rely heavily on the country's infrastructure. Foreign investment in technology & infrastructure, indirectly or directly impacting the operations, could go a long way to help build public confidence and reliance on the brand. Whether it is installing back-up systems, generators, or improving in-the-ground infrastructure such as data, electrical, or other utility connections, could be immensely helpful as a differentiator to its competition.

2.6. Financial Environment

According to Bunmi Olaopa, Chairman of the Pharmaceuticals Manufacturers Group of the Manufacturers Association of Nigeria (PMG-MAN), the pharmacy market share in Nigeria is roughly \$3 billion and serves more than 160 million Nigerians and an additional 100 million West Africans (Shokunbi, 2013). Total pharmaceutical expenditure in 2012 amounted to \$951 million (Imperial Logistics, 2014).

Total government expenditure on health makes up only 5.3% of the country's total GDP, which places it 127th in the world in health expenditures (CIA, 2014). 70% of the Nigerian population also lives below the poverty line (CIA, 2014). Private spending or disposable income, last measured in 2011 was 122.08 U.S. dollars per person in Nigeria (CIA, 2014). A recent report by the Focus on Land In Africa states that the majority of Nigerians are unable to obtain credit and financial services. According to the report, the two major barriers to accessing credit for Nigerians living in rural areas are lack of collateral and a lack of access to banking services (Freeman, 2013).

According to Trading Economics, the business confidence index of Nigeria currently averages around 19, based on a scale of 0 - 50, with 50 being the highest level of confidence. The index surveys approximately 1800 Nigerian companies quarterly and calculates the percentage of firms that report an improving outlook, less firms that report a deteriorating outlook. Standard and Poor's estimates Nigeria's credit rating at BB-, while the Nigerian credit rating firm, Agosto & Co., estimates it at Bb.

2.7. Competitive & Current Retail Pharmacy Environment

Though governmental legislation permits the establishment of retail pharmacies, access to inexpensive, well-regulated prescription drugs are in its rudimentary phases (Bukky, 2014). Currently, there are 3 – 5 chains in Nigeria, primarily in Lagos and all cater to wealthy elites (Good Pharmacies in Nigeria, 2014), the three largest chains being Megacare, MOPHETH Pharmacy and HEALTHPLUS Integrative Pharmacy. All three of these retailers have a physical presence in Lagos, with multiple retail locations. Megacare Pharmacy has launched Nigeria's first online pharmacy and health mart to bring shopping of its products to the doorstep of underserved Nigerian populations through an online portal (AllAfrica.com, 2014). The Drug Store,

an internet-only pharmacy retailer, also delivers health and beauty products to customers via an online store. Though this option would seem highly preferable to urban and suburban populations, the quality of the prescriptions drugs will still depend on its origin.



Interior of MOPHETH Pharmacy location in Lagos. Source: MOPHETH Pharmacy (2014)

There are a few independent pharmacies located in Abuja and other urban/suburban areas outside of Lagos. For example, in Abuja there are 12 independent pharmacies listed. Also, in cities where the economies are fueled by a robust manufacturing sector, such as Abeokuta and Onitsha, independent stores exist as well. Community pharmacists in the rural/remote areas are usually consulted for advice in the treatment of minor illnesses and make appropriate recommendations, including referrals to hospitals. Self-medication is very prevalent in the rural areas of Nigeria, as rural pharmaceutical care is not very well-developed. Health care facilities are fairly accessible in Nigeria, as less than 2% of households travel more than one hour to the nearest facility to obtain care. Affordability of medicines constitutes a major barrier in accessing medicines for approximately half of all Nigerian households. The same proportion has also borrowed or sold assets to be able to pay for medicine. Additionally, one out of every three chronically ill patients did not take medicine because they could not afford it. Studies have shown that most patients are still paying for medicines out of pocket, as only 16% reported receiving medicines free from facilities.

Holistic or traditional medicines are widely practiced in Nigeria. Traditional medicine, also known as juju, is common in rural areas. Practitioners of juju use a variety of plants and herbs in their cures. Many people in rural villages do not trust modern medicine, preferring instead to use traditional methods to treat illness. Herbs and other forms of holistic medicines are commonly used among cancer patients, adolescents, asthmatics, hypertensive patients, as well as pregnant women (Onyeka et al, 2012). In many cases, holistic medicines are perceived to be very effective and produce fewer side effects than modern drugs. However, there are conditions in which these medicines can do more harm than good.

According to a 2010 survey by the Nigerian Federal Ministry of Health, a majority of household members who had acute illness sought healthcare from the public hospital (45%), drug seller

(29%), private pharmacy (14%) and public healthcare/dispensary (11%). 60% of medicines used for acute illness were prescribed by doctors, 13% by drug sellers, 7% by pharmacists and 5% by community health officers. Additionally, about one out of every ten respondents who had an acute illness was treated at a public healthcare/dispensary. Medicines used for acute illness were mostly procured from public hospitals (35%), drug sellers (24%), private pharmacies (17%), public health centers/dispensaries (8%) and private/NGO hospitals (8%) (Federal Ministry of Health, 2010).

3. Marketing Program

3.1. Market Entry Strategy

Nigeria is considered a trading economy, where demographics, strong spending power, growing sophistication and changing shopping culture among the growing middle class are frequently cited as drivers of this growth. Unfortunately, this perception is being threatened by multiple entry barriers into this market as discussed in the political and legal environment section. According to Lowe (F. Lowe 2009), four main factors determine the extent to which consolidation occurs in the private pharmacy sector: 1. Legislation on ownership, 2. Regulation, licensing and registration of pharmacies, 3. Availability of qualified pharmacists, and 4. Access to finance to set up a pharmacy. Considering Walgreens strengths in global expansion and solid financial position, these entry barriers can be overcome with careful consideration of the opportunities in Nigeria's existing retail pharmacy industry. The entry strategy could take one of three forms discussed here: full franchise ownership model (similar to the retail model in the United States), joint venture via licensing of Walgreens products or services, or establish a partnership via stock investment with an existing company.

Nigeria's franchise market is in the infancy stage but analysts consider it a potential market of over one hundred billion dollars in annual revenue from products and services. It is a growth market for U.S. franchise concepts and franchise development services. Unlike in the United States, very few legal practitioners, banking executives and senior government officials have in-depth knowledge about franchising either as a marketing tool or as a business development model. This situation offers U.S. franchisors the opportunity for a first-mover advantage using their wealth of experience and the economic impact of franchising to the U.S. economy. Establishing a new franchise for Walgreens could be the most lucrative approach if there are enough franchisees willing to invest. Walgreens could provide their business operations, logistical knowledge, access to existing inventory, and sell it as a package to investors willing to run their own retail pharmacy franchise. The franchisees should be local, giving them the ability to navigate the political and cultural landscape.

Another strategy is joint venture or licensing. The government of Nigeria is aggressively promoting joint ventures, particularly in the oil and gas and maritime industries. The objective is to encourage technology and knowledge transfer and improve local content. Similar efforts are

manifest in the information and communications technology industry, manufacturing and distribution sectors. In this approach, Walgreens could license its products to an existing chain in Nigeria, provide marketing research, inventory and logistics to help drive sales. Though this method would require the least investment, it would also yield the least amount of return as the retail pharmacy industry in Nigeria is still in its infancy.

The final method of market entry comes in the form of an investment into an existing pharmacy retailer in Nigeria. Because of The Drug Store's already convenient online presence and lack of a physical presence, it may be the most likely company to benefit from a partnership with Walgreens. This strategy of establishing local partnerships has been a successful one for Walgreens, much like with their purchase of Drugstore.com and entry into the European retail pharmacy market with the purchase of Alliance Boots (Scott 2012). By partnering with The Drug Store, Walgreens could leverage the company's local status in Nigeria to streamline the permitting, navigate the regulatory environment, use their distribution network, and quickly establish a presence in Nigeria. In the United States, Walgreens provides access to consumer goods and services, plus pharmacy, photo studio, health and wellness services. During flu season, Walgreens and its competitors provide influenza immunizations to children and the elderly. Walgreens entry to the Nigerian retail market could initially come in the form of small retail locations in urban areas that provide reliable & affordable malaria vaccinations for children.

Walgreens could locate small retail & service shops in urban areas such as Lagos and Abuja, to cater to the largest population centers using The Drug Store's network and online presence to market Walgreens services. Once Walgreens establishes a presence with malaria vaccination, they could expand to market and sell post-vaccination products such as vitamins and basic health products to those same customers. The final phase in the partnership would be to expand into prescription drug and other healthcare product sales both online and in retail stores.

3.2. Product Strategy

Walgreens can offer two things main products to Nigerian consumers: reliable and regulated prescriptions and low cost, convenient, basic healthcare services. These value propositions address two fundamental healthcare issues for Nigerian consumers: an unregulated and unreliable pharmaceutical industry and a costly and inconvenient healthcare system.

Nigerian hospitals are often overcrowded and have long wait times. Additionally, there are not enough hospital beds and doctors to adequately serve the population. Currently, there are approximately .53 hospital beds per 1000 Nigerians and .4 doctors per 1000 Nigerians (CIA, 2014). Many people who need services forego the hospital altogether and visit a clinic for basic diagnostics and treatments. If medicine is required, it can be purchased at a local pharmacy. Walgreens will provide both the diagnostic services and the prescription services in one location. Additional services performed will include vaccinations and health screenings. Additional items may also be purchased at Walgreens, such as basic groceries and personal products. This will eliminate the need for multiple stops at multiple locations.

The initial target market for Walgreens in Nigeria is the population living in medium to large-sized cities where access to clinics and hospitals is limited, but enough of an infrastructure exists to support the entry of a retail pharmacy. This customer segment will also be younger, lower to middle class, more technologically advanced and may have small children or about to start a family. Since one option proposed for market entry is to partner with an existing retail pharmacy chain, Walgreens will also consider opening seminal stores in cities where its partner already has a delivery presence.

The Walgreens brand and the physical space of the stores will have to be marketed correctly to various consumers throughout Nigeria. Some adaptations should be made to the communication plan to advertise the product to consumers, with an emphasis on reliable and cost effective healthcare services, including vaccinations and prescriptions. It will be very important that Walgreens establish that its prescriptions are the safest, most effective and most affordable in the market. This is extremely important to achieve, given that the current prescription drug market in Nigeria is not well-regulated and many people have to pay high out of pocket costs for these drugs and treatments. Additional adaptations should be made to ensure culturally competent staff provide the services and that relevant products are used, such as vaccinations and diagnostics for treatment of diseases and ailments found in that part of the world.

For the retail side of the stores, Walgreens will sell food products and personal care products. Food is a highly adaptive good that must reflect local, often culturally rooted preferences in order to sell. Therefore most food products sold in Walgreens Nigeria should be locally sourced. However, if the food product has global brand recognition and is a popular item in Nigeria, it should also be offered. Personal care products for sale may also need to be adapted to local consumer preferences. However, Walgreens' partnership with Amerisource Bergen and Alliance Boots provides efficient distribution of their products worldwide, many of which may be globally recognized brands.

3.3. Pricing Strategy

In a country where over half of the population lives below \$2 a day and two-thirds live below \$1.20 (El-Rufai, 2011), setting prescription prices in the Nigerian market requires careful analysis. In general, prescription medicines in the country cost as much as two to sixty four times the prices in the International Market (Lambo et al, 2006). This astronomical figure underscores the importance of reliable, affordable drugs to underserved populations in Nigeria. Though establishing a chain of retail pharmacies raises a prodigious new managerial challenge (Pralhad & Hart, 2002), targeting the poor in Nigeria, a rich, emerging market, is economically profitable and it serves to help the poor improve their standard of living.

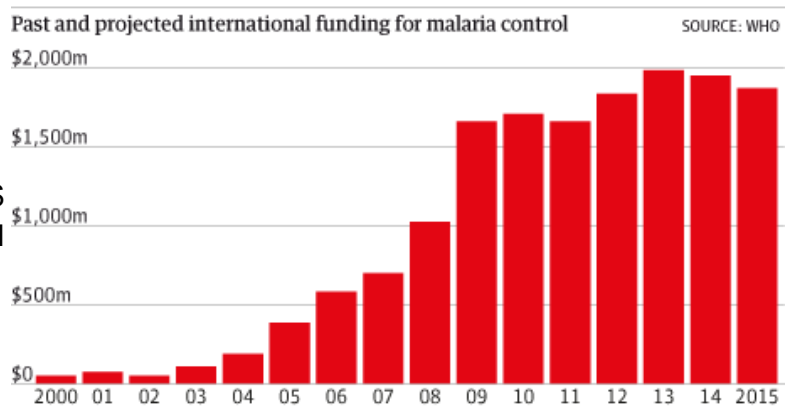
There are several factors which contribute to the high costs of prescription drugs. Government tariffs and taxes as well as markup for distribution account for a significant proportion of what

patients pay for medicines (Lambo et al, 2006). Additionally, poor drug procurement procedures in the public sector also contributes to the exorbitant cost of prescription drugs. Although tax reforms are underway in Nigeria to create a more conducive environment for multinational firms, steep markup rates on prescriptions and inadequate standards with respect to drug procurement helps to create much of the corruption found within the Nigerian healthcare system.

In order for a pricing strategy to be viable, a delicate balance must be struck with providing safe drugs to the poor at a cost they can afford. This is the dilemma which faces market penetration into Nigeria. Walgreens will need to invest heavily in lobbying the Nigerian government to reduce the markups on prescription and vaccine medication.

According to the World Health Organization's, World Malaria Report 2012, international disbursements for malaria control rose steeply during the past eight years and were estimated to be US\$ 1.66 billion in 2011 and US\$ 1.84 billion in 2012. National government funding for malaria programs has also been increasing in recent years, and stood at an estimated US\$ 625 million in 2011. Walgreens will

International funding



need to tap into these funds to help reduce the cost of malaria vaccines for their initial investment into Nigeria. The vast majority of Nigerians purchase their medicines out of pocket. Therefore, high medicine prices constitute a major barrier to access to healthcare (Lambo et al, 2006). In order to reduce the cost of vaccines and prescription drugs for the masses, generic drugs will be promoted whenever available. Approximately, 52% of manufactured prescription drugs are available in generic form (National Conference of State Legislatures, 2014). As a part of the later phases of investment, over the counter (OTC) medicines will be advertised as they are also an integral part of providing quality healthcare. There are many illnesses and medical conditions that can be alleviated with the use of OTC drugs such as allergy and sinus problems, the common cold and flu, chronic pain, arthritis, and headache among other ailments.



Additionally, Walgreens rewards cards can be used to help offset costs associated with both prescription and OTC drugs as well. With each Walgreens store purchase, points will accumulate for use on future purchases, including prescription and OTC drugs. Lastly, another pricing strategy is to sell to the lower tier markets with a smaller profit margin and to sell in the main cities and towns with a higher margin in order to compensate low margin

profits in the remote areas and also to tap the affordability of the well to do, middle and upper middle class that primarily reside in the main towns and cities of Nigeria. This strategy will help balance affordability for the poor and consumers in remote markets. Transportation and distribution costs are also critical in order for our prices to be competitive and affordable.

3.4. Distribution Strategy

Retail pharmacies in Nigeria are just as necessary in remote areas as in urban/suburban centers. However, limited infrastructure and roads make it difficult and expensive for transportation and distribution. The distribution strategy that Walgreens will implement will utilize the existing distribution channels of The Drug Store and add centers where needed, with specific focus on main warehouses and storage locations around main cities with access to ports and airports, followed by distribution centers or hubs in less populated cities. The selection of locations for the distribution hubs is critical for the distribution strategy to succeed. The distribution hubs need to be selected in a manner that they are relatively accessible to as many retail pharmacy locations as possible. These distribution hubs reduce the cost of transportation, inventory, management and distribution. The distribution hubs reduce the delivery time to retail pharmacies when new orders are placed and each individual pharmacy need not be managed individually with regards to inventory management and order refilling.

It is also important to identify where the retail pharmacies will be located, since without that selection process, location of distribution hubs is not possible. The main cities are usually the location of the primary distribution centers, due to better infrastructure, and therefore should distribute to a majority of the stores. Locating distribution centers in major cities will be more cost-effective as well. The initial strategy would be to establish the main warehouses and storage locations in main cities, followed by distribution centers in key cities that are less populated. Once this model targeting main cities and the less populated cities is implemented and tested, Walgreens can expand further to cover a larger geographic area.

3.5. Promotion Strategy

In order for Walgreens to price products competitively and maintain a healthy profit margin, they will need to address spending on promotions strategically. Based on the market assessment and the need for pharmacy locations in remote areas and the lack of sufficient infrastructure, the promotion strategy is going to primarily rely on print marketing such as brochures, pamphlets and billboards in the rural areas. Furthermore, the partnership with The Drug Store will help Walgreens hire qualified Nigerians who can help provide a local touch to customer service and also be trained to market and sell the Walgreens brand to customers. Finally, targeting the younger adult demographic could come in the form of text messaging to communicate pertinent information about health concerns and how The Drug Store/Walgreens could provide a product or service solution.

Malaria is a problem with the youngest populations (ages 0-15), so Walgreens first phase of market entry would include promoting malaria vaccinations to parents and guardians. Print marketing would be effective, especially considering that technology and infrastructure are still a concern, especially in rural areas. In addition to print advertising, marketing directly with companies in the oil and port industry would be a way to capture the attention of employed parents willing to pay for subsidised vaccines. The main goal of marketing in rural areas is to gain the trust and understanding of the rural decision-making population, especially those with children. Along with promoting vaccines, the following phases of promotion could advertise basic medication and other health products.



(Examiner.com 2012)

Along with the print promotion strategy, The Drug Store/Walgreens could provide free clinic days and free check-up sessions at different pharmacy locations in the rural areas at select times during the year. These clinic days could also be combined as training days for the local pharmacy representatives to improve their customer services skills. The clinics could be positioned and staged as events to gain visibility in the local market. By building a personal bond with the customer, which is generally well received and valued in the low-tier market, Walgreen's can help ensure return customers. The bond that the pharmacy representative builds with the customer not only ensures the customer returning to the pharmacy, but also capitalizes on word of mouth as a means to enlarge our customer base and market our services online and through other distribution channels. Although, this promotion strategy spends less in traditional marketing and promotional activities, word of mouth and a personal bond between the seller and the patient is critical to growth and sustained business in the rural markets.

Targeting the younger demographic (ages 15-25) will allow Walgreens to penetrate the retail pharmacy market as a differentiator, maintain customers with rewards cards, and help drive online sales with The Drug Store. Younger populations tend to be more open to newer brands and ideas and also use cell phones on a regular basis (Gallup/BBG 2012) as noted in the technology section. Promoting to the Walgreens brand with this age group could come in the

form of text messaging and television advertising. The Drug Store/Walgreens brand would encourage teens and young adults via text to get regular check-ups, give advice about current health issues, and help educate with pregnancy and anti-conception medication.

Marketing to the urban demographic is different than marketing strategy for the rural market. The most important goal of the urban market promotion strategy would be to get visibility whereas with the rural market it was to gain trust. The marketing strategy for the urban areas would focus on Lagos and Abuja, by using billboard print marketing that explain the risks that Nigerians encounter everyday coupled with a solution: malaria (vaccine), malnutrition (vitamins), etc. Along with location and print marketing for the urban market, email marketing would be coupled with a reward program to motivate customers to come back to the pharmacy store. The reward program will have certain incentives based on purchase such as discounts, but the primary purpose of the reward program is to capitalize the relatively low cost of marketing through email. Targeted local TV advertisement will be used in a very limited basis. Using local TV broadcasters would cost less and also would focus on the targeted market giving us the best return on ad spending. National TV advertising will not be pursued due to the relatively high cost and less targeted nature.

4. Conclusion

The opportunities in the future are considerable for pharmacies worldwide. Not only will the dispensing volumes increase, but the need to provide healthcare will be more prevalent than it is today both at the request of the patient and also the regulatory bodies which will seek cheaper forms of healthcare (Heise 2009). Furthermore, access to healthcare in developing countries presents an untapped market for many global leaders in retail pharmacy. Nigeria has a retail pharmacy sector that is growing with it's economy. However, the healthcare needs of its young people are not being met satisfactorily, especially when it comes to access to malaria vaccines. Walgreens' investment in a partnership with The Drug Store online brand has potential to create a major player in the growing Nigerian pharmacy market if correctly approached. If the Nigerian government can be lobbied to streamline the regulatory process, Walgreens can tap into its partner's distribution network and access to qualified pharmacists to significantly help the Nigerian people.

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