

# Market entry of over-the-counter nutritional supplement – a case study from Thailand

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## Introduction

In the early 1990s, Pharmaton, a multivitamin marketed by the German pharmaceutical company Boehringer Ingelheim, was the dominant market leader in the over-the-counter (OTC) multivitamin segment of Thailand. By the early 2000s, Centrum a new entrant marketed by Whitehall (WH) Thailand, a unit of the American OTC brand owner WH International, had taken a decisive lead (Figure 1). This case study details the environmental changes and strategic decisions behind this reversal in one of Southeast Asia's most dynamic markets at that time.

As consumer income grows, spending on health-related products is also expected to increase. The 10 ASEAN nations represent a large bloc of over half a billion consumers (=ASEAN Secretariat, 2015) whose incomes are expected to rise steadily in the coming decades. This case study will yield important lessons for the marketing of health-care products in developing markets such as Vietnam, Laos and Cambodia, countries whose gross domestic product per capita today are similar to that of Thailand during the 1990s (Table 1).

## Multivitamins in Thailand

In the early 1990s, it was uncommon for Thai consumers to take multivitamins on a daily basis. Such supplements were usually prescribed by doctors to treat conditions such as fatigue, chronic illness or to help patients recover from trauma or surgery. A significant proportion of such products were, therefore, sold through hospitals and clinics.

The Thai Food and Drug Administration (FDA) strictly regulates products that contain nutrients that exceed daily recommended intake (RDI). Such products are categorized as drugs or dangerous drugs for the cases where the nutrients exceeding the RDI can accumulate in the human body, such as fat-soluble vitamins (Vitamins A, D, E and K). A drug takes up to two years to register while dangerous drugs can require up to five years to receive authorization to be sold. There are also strict rules about the advertisement of such drugs. Most vitamins and minerals sold OTC contain significantly lower concentrations of vitamins and minerals.

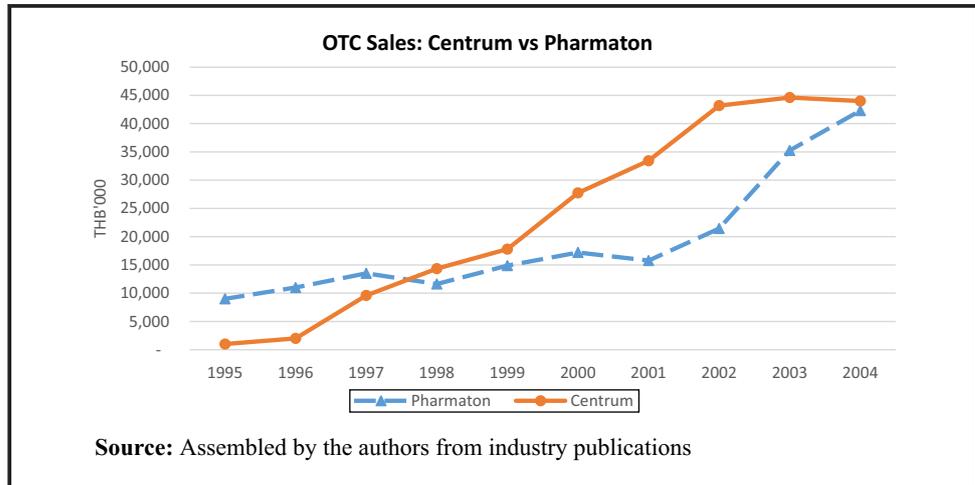
## Whitehall Thailand

In March 1995, WH Thailand was set up as a representative office of WH International, an American OTC medicines company. Pat, a seasoned local businesswoman, was recruited to pave the way for the entry of the company's products. Having graduated from Thailand's

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**Figure 1** OTC sales for Centrum vs Pharmaton from 1995 through 2004



**Table 1** Real GDP per capita (2010 prices)

Country	GDP per capita 1995	GDP per capita 2018
Thailand	\$3,531	\$6,361
Vietnam	\$583	\$1,964
Laos	\$548	\$1,785
Cambodia	\$342	\$1,205

**Source:** World Bank

most prestigious pharmaceutical science faculty, Pat started her career as a sales representative for a large multinational. She worked her way up to the position of sales and product manager in five years (Table A2 in the appendix). The experience taught her the ropes of how product selection, launching, warehousing and sales team management were conducted in the local market.

Soon after joining the new venture, Pat realized that the involvement of the head office in strategy and execution would be very limited. Goals would be set and certain operating parameters would be given. Other than that, the newly created local office would be responsible for virtually all of the day-to-day decisions. Under Pat's leadership, WH began working with a handful of products including Dimetapp (an OTC cold and allergy medication) and Z-BEC (a multivitamin supplement with zinc). There were nearly zero marketing and promotional activities. In 1996, following an acquisition by the American head office, Pat found her team distributing two additional multivitamins, Centrum and Stresstabs.

The WH marketing team worked closely with sales representatives. Dimetapp was WH's top product, followed by Z-BEC, which competed with Stresstabs. Stresstabs was a strategic product for the headquarters but had almost no sales in Thailand. Pat quickly realized that WH would have to maintain sales of Z-BEC, the company's top brand, to protect the bottom line while also push Stresstabs to meet the expectations of the head office.

Z-BEC and Dimetapp have been marketed in Thailand for years and are well-known in the medical channel (hospitals and clinics). Recognition of these brands in the OTC sector, however, was much weaker. Nevertheless, the *spin-off effect* plays a big part for OTC products. When doctors tell patients to take a particular brand-name medication, patients

always ask for the same brand at the drugstore the next time they need the drug. Z-BEC and Dimetapp used this spin-off effect and enjoyed growing sales for many years without promotion and advertising.

Under Pat's leadership, money was limited and WH was not allowed to lose. The head office explicitly stated their target as 15% annual profit growth. The head office maintained tight control over the core content of mass advertising, packaging and formulas for new products. Pat and her team were responsible for budgeting and execution to ensure the targets were met.

## Strategy formation

Given the limited resources, the WH marketing team had to choose which brand to advertise and promote heavily via mass advertising. Some products were unfit because their names were too long. A local herself, Pat knew instinctively, for example, that a brand name like Robitussin, the parent company's cold and cough medicine, was a name too complex for Thai people to easily remember. WH had no power to modify the brand names, as such a decision was restricted by the head office.

Turning to the multivitamin products, Stresstabs had three sub-brands, Stresstabs600, Stresstabs600+Zn (marketed to men) and Stresstabs600+Iron (marketed to women). If Stresstabs were to be chosen as the flagship product, Pat would need to select only one sub-brand to champion because the target groups and indication of each product were different. The market size of Stresstabs600+Zinc was the highest among these three formulations. Stresstabs600+Zinc, however, competed with Z-BEC. Selecting this formulation would thus likely cannibalize market share from Z-BEC, one of the company's successful products. The term "stress" in the brand's name was also potentially problematic as multivitamins are not used to treat mental or emotional stress (as consumers quite frequently misunderstood).

After much deliberation, Pat turned her attention to Centrum, a multivitamin, that seemed attractive while not cannibalizing existing products. Owned by the American pharmaceutical company Wyeth-Ayerst, Centrum was manufactured by an experienced and reliable local partner, Interthai Pharmaceuticals. Ingredients were imported from the USA in bulk, giving the company a cost advantage over its major competitor, which imported the finished product. Pat's team had a strong gut feeling that the market size for Centrum had robust growth potential because it was for general use. Consumers could start taking Centrum without any health conditions at all. The only requirement was that they sought to take better care of themselves through nutrition. WH, thus selected Centrum for its big mass media advertising.

*From A to Zinc*, along with the colors of the rainbow (symbolizing the completeness of the formula), was Centrum's worldwide slogan from the get go. Headquarters provided more than 20 formulations for distributors in different countries to choose from. The formulas were regularly updated to avoid copycats. In Thailand, however, it took at least two years to register one simple product. For certain drugs, the registration process could take up to five years or more. Regular formula updates for the Thai market were, therefore, impractical. Over the 20-years period, as its initial launching, Centrum updated its formula for the Thai market only twice, once to increase the number of ingredients from 20 to 29, and again to launch Centrum Silver as a line extension for consumers 50 years of age and up. It also introduced products that qualified as dietary supplements a few years ago to expand the channel of distribution to convenient stores and groceries store.

At the time of the launch, *Pharmaton* was the market leader for multivitamins in Thailand. Marketed by Boehringer Ingelheim (Thailand) Ltd., a well-established subsidiary of its German parent company. In 1995, Boehringer Ingelheim (Thailand) managed five OTC products, **namely**, Pharmaton, Kiddi-Pharmaton, Bisolvon (for a respiratory disorder and

excessive mucus), Ginsana (a ginseng supplement) and Dulcolax (a treatment for constipation). There were many other brands of multivitamins, most of which did not contain high concentrations of vitamins similar to those in Pharmaton and Centrum. Most were taken by pregnant women or as prescribed by doctors. Z-BEC, for example, was often prescribed by an ophthalmologist.

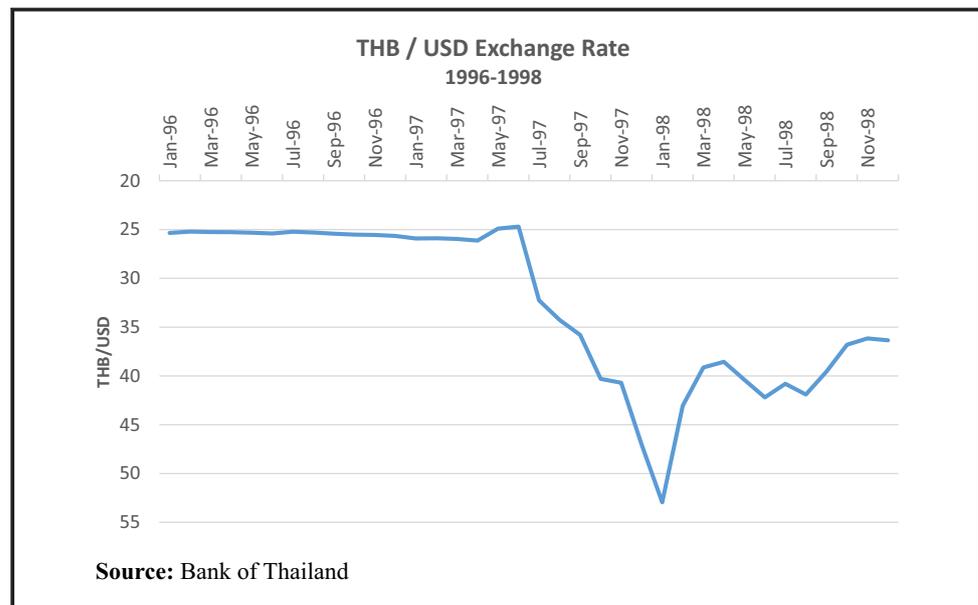
Pat's challenge was to find an entry point for Centrum that would allow it to grow and eventually overtake the multivitamin segment occupied by Pharmaton. How would she approach such a challenge? First, some background of the distribution channels is necessary.

In the OTC segment, multivitamins were mainly sold through mom-and-pop pharmacies. Products were mainly placed behind the counter and the shopkeeper wielded great influence on customer purchase decisions. Unless the customer came in with a prescription, the shopkeeper could quite easily sway the buyer's decision toward one brand or another. Under Pat's leadership, WH tried to place Centrum in as many drugstores as possible, so that when the Centrum advertising campaign commenced, customers could find the product easily. However, how could WH build brand recognition and recruit sales people to help push the company's product?

### The Asian financial crisis and its consequences

Centrum's marketing push began in 1996 with a budget of approximately 4m baht (Figure 2 for exchange rates). In addition to radio and newspaper ads, there was a concerted effort to connect with pharmacists who were at the frontline in the fight for customers. The advertisement budget climbed to 10m baht in 1997, as promotion moved to television, Thailand's most influential (and most expensive) advertising channel. A few years earlier, a new terrestrial television channel, independent television (ITV), had been launched in Thailand. The channel aired mainly news programs, unlike the other channels that had a variety of sports and entertainment offerings. It, therefore, had to compete for a much narrower market segment – investors, businessmen and academics. Their advertisement rates were significantly lower than their competitors. Pat and her WH team took full

**Figure 2** The dramatic depreciation of the Thai currency (THB) during the Asian Financial Crisis



advantage of this opportunity and ran a large number of promotions on ITV. Significant promotional budgets were subsidized by revenues from the company's cash cow products, namely, Z-BEC and Dimetapp.

As WH's promotional campaign was in full-swing, the Asian financial crisis hit the economies of Southeast Asia, Thailand being one of the biggest casualties. The Kingdom had maintained a fixed exchange rate while embracing financial liberalization beginning in the early 1990s. Double-digit growth rates fed by hot-money from abroad soon created a speculative bubble in the real estate and stock markets. In 1997, the bubble burst leaving the economy in ruins. As foreign capital fled, the government was forced to abandon the currency peg. The Thai baht lost more than half of its value (Figure 2). Scores of businesses failed and unemployment spiked (Phongpaichit & Baker, 1998).

Pat was presented with a major dilemma. Should the promotion of Centrum be scaled back to reflect the faltering economic conditions? Or does a crisis present an opportunity for bold decisions?

Instead of scaling back, WH doubled down on the Centrum campaign. Weak domestic demand meant advertising on TV was heavily discounted. Pat and her team were able to get Centrum ads aired as often as 10 times a week, quickly generating consumer recognition. While many expected spending on supplements to drop during the economic downturn, demand for such products held steady. Centrum quickly gained market share from competitors and as early as 1998 became the number one multivitamin brand in Thailand.

As indicated in Table 2, Centrum's media spending far exceeded all its competitors up until the turn of the millennium, after which other multivitamins began accelerating their advertisement outlay.

### The changing retail landscape

Around the time of the crisis, a major transformation was taking place in Thailand's retail market (Kongarchapatara & Shannon, 2014). In the past, drugstores were mainly mom-and-pop operations. At these stores, most drugs were not on display. Customers relied on the shopkeeper to fetch the medication they required from behind the counter. Purchases were either made based on past physician prescriptions or heavily steered by the influence of the pharmacist or shopkeeper.

The entry to Thailand of the two giant drugstore chains, Watson in 1996 and Boots in 1997, transformed the retail landscape. Located mainly in shopping malls, Watson and Boots let customers browse and pick supplements and non-prescription medication by themselves. Other smaller chain stores quickly followed with similar store layouts. Packaging, display and shelf location, therefore, suddenly became major strategic matters. It is partially for this reason that Pat's decision not to scale back on the promotional campaign was a good call. Centrum benefited from these changes as it had invested heavily in building brand recognition and attractive packaging. Customers walking into a chain drugstore often had Centrum as the brand in their mind when looking to purchase multivitamins.

**Table 2** Media spending by Brand (in "000\$")

Brand	1999	2000	2001	2002	2003
Pharmaton	2,485	3,182	2,096	14,674	24,224
Centrum	9,158	14,055	12,591	19,238	23,633
Vitop	1,311	1,495	4,470	1,350	–

Source: Assembled by the authors from industry publications

It was common practice that drugstores were able to return products, no questions asked. Quick product movement was, thus essential to win in this market (otherwise, products would be returned to create shelf space for other fast-moving products). As a newcomer, Centrum used its cost advantage to offer drugstores a longer credit term, incentivizing the stores to carry more of the product, thus creating additional exposure to the end user. While customers increasingly made their own choices, staff at the sales location still held significant sway, especially for products the customer was not familiar with or those they did not have a strong brand preference.

Unlike in mom-and-pop drugstores, staff at chain drugstores were employees – not owners of the business. This was a major change in the customer purchasing experience. Pat was quick to grasp this transformation and immediately focused her attention on staff working at these chain drugstores. WH sales representatives were sent to build rapport with these employees and handout free samples for the staff to take home. A key account manager was hired specifically to build strong relationships with chain store personnel, an important practice for pharmaceutical marketing (Smith, 2009). Pat took care to ensure the account manager was of similar age and education as these sales people. In the early days, WH was even able to hold “training sessions” and “coffee breaks” with these staff without excessive hassle and fees [1].

Finally, to make sure the drug store employees would have sufficient tools to sway customer choice, Centrum recommended retail price (RRP) was set significantly below that of the market leader (Table 3). Competitive pricing was possible due to Centrum’s cost advantage from being manufactured locally. Such prices are not always followed by retailers, but the anchoring effect of a lower RRP no doubt gave Centrum the advantage. An American brand with a more complete formula of vitamins and minerals offered at a competitive price was a persuasive value proposition. This winning marketing mix goes a long way in explaining Centrum’s rise to the top multivitamin brand.

As a result of the big push, by 1997 Centrum had already made significant headway into a market with strong potential future growth. Market shares for major players in the multivitamin and minerals in 1997 are shown in Figure 3.

### Promotional strategies

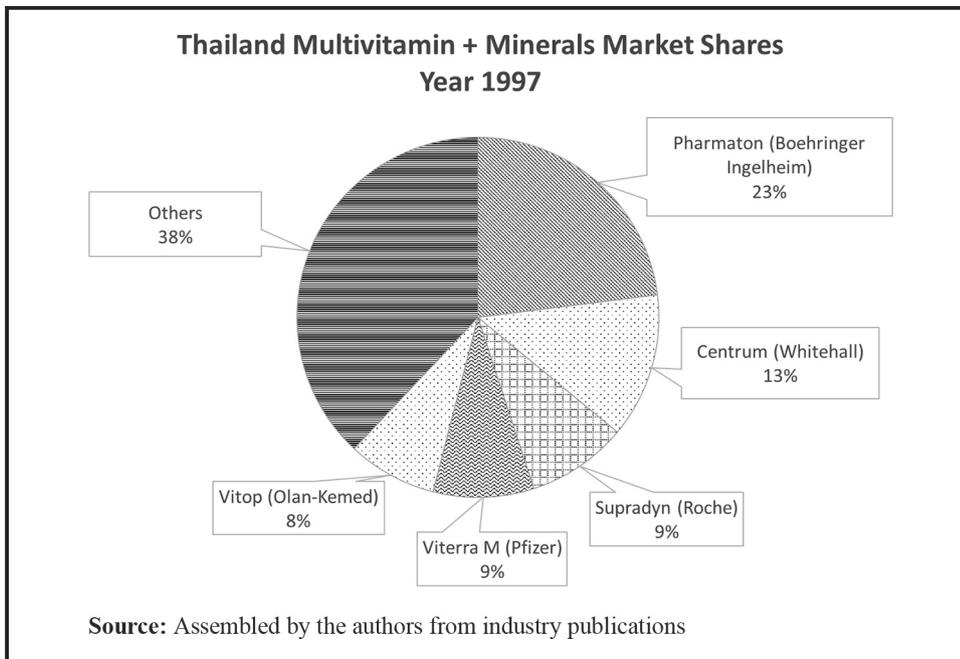
In addition to building relationships with the drug store staff, direct incentives were also important. Pat arranged to have drugstore staff peel off stickers on top of the box of the product and save them to redeem rewards. Incentives and personal relationships enabled WH representatives to extract favors such as reserving favorable shelf space for their products. Store staff were taught to display Centrum in prominent locations while leaving some “gaps” between the products to signal to consumers that this product is a popular item, which others have recently purchased (Van Herpen et al., 2009). Retail partners who achieved sales targets were rewarded with all-expenses paid for trips abroad.

While such strategies sound commonplace today – and brand owners pay dearly for prominent shelf space – awareness of these practices were astonishingly low back in the mid-1990s. In fact, Pharmaton the leading multivitamin brand did not even have a dedicated team to oversee chain store sales.

<i>Brand (owner)</i>	<i>Tablets</i>	<i>RRP (\$)</i>
Centrum (Wyeth-Ayerst)	30	199
Centrum (Wyeth-Ayerst)	100	622
Pharmaton (Boehringer Ingelheim)	30	428
Pharmaton (Boehringer Ingelheim)	100	1,342

**Source:** Assembled by the authors from industry publications

**Figure 3** Centrum's headway into the market after two years



What about multivitamins sold at hospitals as part of a doctor's prescription? Understanding the interaction between sales through different channels, Pat worked hard to increase awareness of the product in hospitals. Because spin-off effects were an important complement to OTC sales, WH made sure pharmacists were informed about Centrum's latest products and formulas. Because WH already had a strong sales team promoting Z-BEC among hospital customers, there were no serious barriers to introducing Centrum to this channel.

Sales through hospitals and clinics were important because the burgeoning nutritional supplements were not allowed to compete in this channel. In fact, products listed as nutritional supplements while facing a less cumbersome registration process, are not allowed by the FDA to make any claims about health benefits or body nourishments on their packaging. Nutritional supplements are, therefore, mostly distributed through less formal channels, such as direct sales à la Amway.

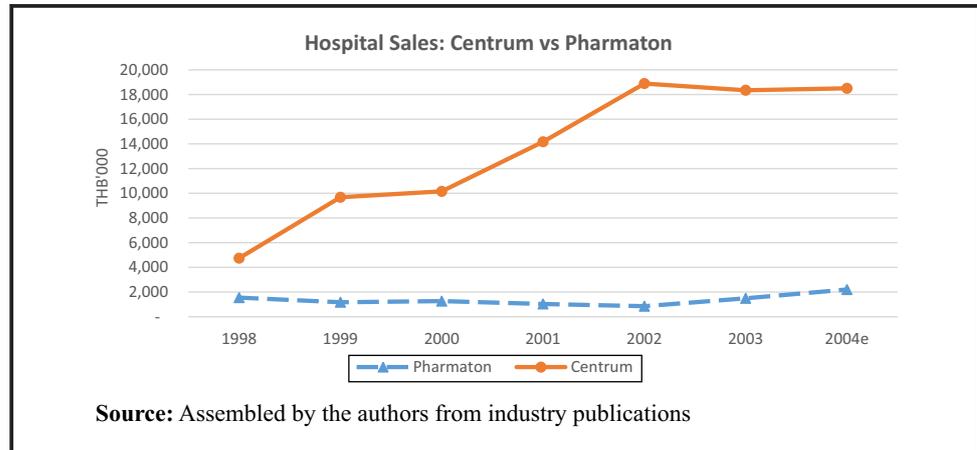
A major achievement of Pat and her team was to get Centrum on to the government's National List of Essential Drugs (NLED). Civil servants can get reimbursed for such drugs from their government health insurance policies. Public hospitals are also required to spend 60%–80% of their budget for drugs on those listed on the NLED. After years of building relationships and trust with doctors, Centrum eventually got on to the NLED, a feat that is known to be extremely difficult.

Given the importance of the spin-off effect, the fact that Centrum completely dominated hospital sales (sometimes referred to as the "ethical channel") since 1998 (Figure 4) likely contributed significantly to its rise to dominance in the OTC channel (Figure 1).

## Conclusion

Becoming the number one multivitamin brand created a virtuous cycle for Centrum. With increased sales and profitability, more resources became available for promotion and marketing. While Centrum is the market leader in Thailand, it is not the leader in Southeast Asia, East Asia and South Africa, markets which use the same packaging and product

**Figure 4** Hospital sales for Centrum vs Pharmaton from 1998 through 2004



**Keywords:**  
International market entry,  
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Marketing

positioning as in Thailand. These facts illustrate the importance of marketing and distribution decisions taken by Pat and her team to the success of a new product in an emerging market.

#### Note

1. Today, all drug manufacturers are acutely aware of the importance of drugstore staff and pay exorbitant fees to hold training sessions with them.

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## Appendix

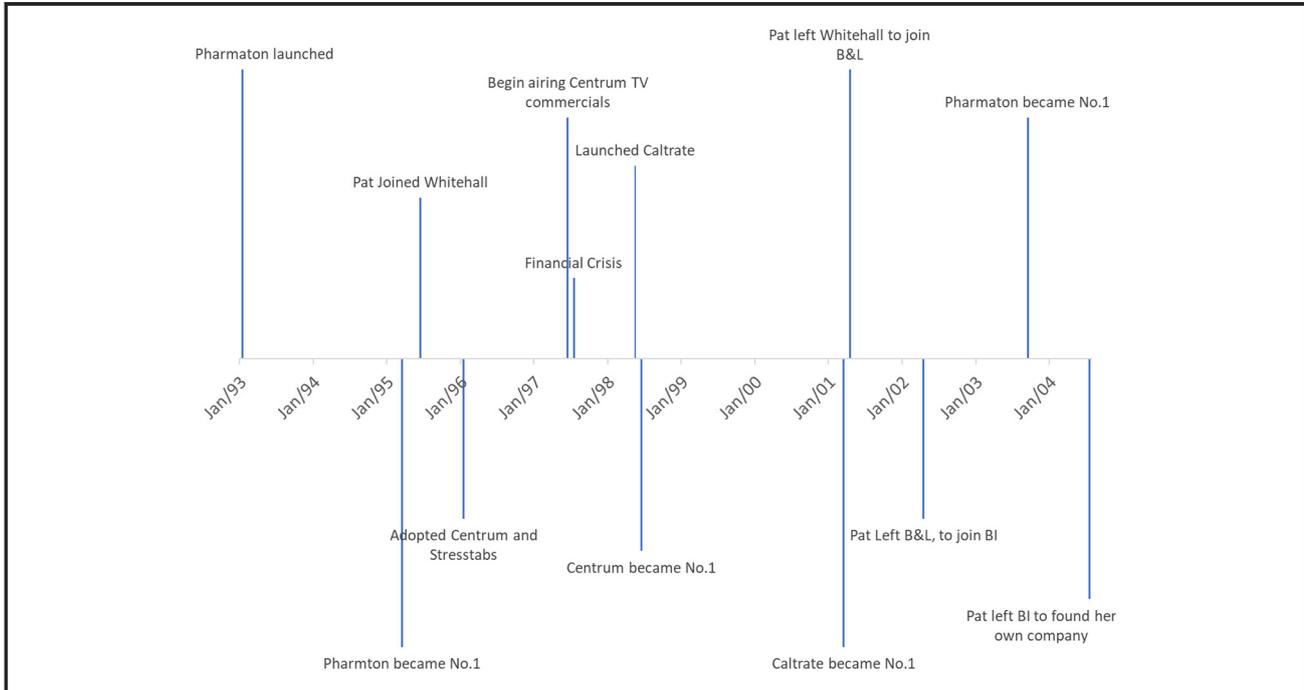
**Table A1** Comparison of ingredients

<i>Ingredient</i>	<i>Centrum</i>	<i>Pharmaton</i>
Beta-carotene (source of Vit. A)	3,000 iu	
Vitamin A	2,000 iu	4,000 iu
Vitamin E	30 iu	10 mg
Vitamin C	90 mg	60 mg
Folic acid	400 mcg	
Thiamine	2.25 mg	2 mg
Riboflavin	3.2 mg	2 mg
Niacinamide	40 mg	15 mg
Vitamin B6	3 mg	1 mg
Vitamin B12	9 mcg	1 mcg
Vitamin D	400 iu	400 iu
Biotin	45 mcg	
Pantothenic acid	10 mg	10 mg
Calcium	175 mg	90.3 mg
Phosphorus	125 mg	70 mg
Iodine	150 mcg	
Iron	10 mg	10 mg
Magnesium	100 mg	10 mg
Copper	2 mg	1 mg
Manganese	5 mg	1 mg
Potassium	40 mg	8 mg
Chloride	36 mg	
Chromium	25 mcg	
Molybdenum	25 mcg	
Selenium	25 mcg	
Zinc	15 mg	1 mg
Nickel	5 mcg	
Tin	10 mcg	
Vanadium	10 mcg	
Silicon	10 mcg	
Rutin		20 mg
Fluorine		0.2 mg
Lecithin		66 mg
Ginsenosides		40 mg
Deanol		26 mg

**Table A2** Summary of Pat's career

<i>Date</i>	<i>Position</i>	<i>Company</i>
March 1987 – March 1988	Medical Representative	Berli Jucker Co., Ltd.
April 1988 – March 1990	Medical Representative	Hoechst (Thailand) Co., Ltd.
April 1990 – August 1991	Supervisor	Diethelm Co., Ltd.
September 1991 – March 1995	Sales and Product Manager	Silom Medical Co., Ltd.
March 1995 – April 2001	Marketing Manager	WH Thailand
May 2001 – April 2002	Commercial Manager	Bausch and Lomb (Thailand) Ltd.
April 2002 – July 2004	Marketing and Sales Manager	Boehringer Ingelheim (Thailand) Ltd.
October 2004 – present	Managing Director	NanoMed Co. Ltd.

**Figure A1** A timeline covering some of the events discussed in the case



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