

# MARKETING FOR SMALL ENTREPRISES – CASE STUDY POSITIONING OF “PLAFAR” DI LTD

**Brandabur Raluca**

*Academia de Studii Economice Bucuresti  
Facultatea de Marketing*

**Popescu Andrei**

*Academia de Studii Economice Bucuresti  
Facultatea de Marketing*

*Bacau health and wellness market has grown to embrace an array of products, including dietary supplements. As a typical “Plafar” store, Plafar DI offers a wide range of natural products, from teas, extracts and creams, to nutritional supplements, cosmetics and biological foods, most of them produced by local companies, as well as imported. Half of Romanian small and medium-sized firms are seriously and severely affected by the economic and financial crisis. Now, like thousand others small companies “Plafar DI”, from Bacau, should use an intelligent marketing positioning in order to survive the crisis.*

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## 1. Herbal medicines

Traditional medicine is the sum total of knowledge, skills and practices based on the theories, beliefs and experiences indigenous to different cultures that are used to maintain health, as well as to prevent, diagnose, improve or treat physical and mental illnesses.

Traditional medicine that has been adopted by other populations (outside its indigenous culture) is often termed alternative or complementary medicine.

Herbal medicines include herbs, herbal materials, herbal preparations, and finished herbal products that contain parts of plants or other plant materials as active ingredients<sup>775</sup>.

Medicinal plants have played a key role in world health. Since its early beginnings human existence has been closely connected to the art of healing. Herbal drugs have been used since ancient times as medicines for the treatment of a range of diseases. For a long time the main therapeutic arsenal of the human being were the plants as the most important and easy curative method. For ages the empirical medicine counted on the treasure of the nature, offered by the healing virtues of plants which have been, in their different forms, until the end of the XIX century and the beginning of the XX century, one of the weapons to fight against diseases.

In spite of the great advances observed in modern medicine in recent decades, plants still make an important contribution to health care. It is estimated that about 25% of all modern medicines are directly or indirectly derived from higher plants. In some particular cases, such as antitumoral and antimicrobial drugs, about 60% of the medicines currently available on the market and most of those in the late stages of clinical trials are derived from natural products, mainly from higher plants<sup>776</sup>.

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<sup>775</sup>WHO, Fact sheet N°134, December 2008,

<sup>776</sup> Calixto J.B., Efficacy, safety, quality control, marketing and regulatory guidelines for herbal medicines (phytotherapeutic agents), Brazilian Journal of Medical and Biological Research, February 2000, Volume 33(2), p. 179-189.

During the past decades, public interest in natural therapies, namely herbal medicine, has increased dramatically not only in developing countries but mainly in industrialized countries [reviewed in 1-3 ]. This has increased the international trade in herbal medicine enormously and has attracted most of the pharmaceutical companies, including the multinationals. Until a few years ago, only small companies had interest in the marketing of herbal medicines. Currently, most large multinational companies are interested in producing and commercializing herbal drugs. “The green medicine” as it is called the production of different pharmaceutical products from plants, extracts or other pharmaceutical forms based on plants, generated the setting up of some small enterprises to harvest and render profitable, under a certain supervision, this activity. Consumers use herbal products as therapeutic agents for cure of diseases and pathological conditions, as prophylactic agents to prevent diseases over the long term, and as proactive agents to maintain health and wellness. Additional, herbs and phytomedicinals can be used as adjunct therapy, to support conventional pharmaceutical therapies<sup>777</sup>.

## **2. Plafar – main source of herbal medicinal products in Romania**

Macroeconomic and environmental factors, such as poverty, industrialization and hectic lifestyles, are transforming the diets of Romanian consumers and threatening to undermine healthy nutrition despite the improvements in the food chain. High deficiency rates of basic nutrients, such as calcium and other minerals, are shaping the popularity of dietary supplements in Romania. In contrast, developed economies in North America and Western Europe are “discovering” the benefits of supplements geared toward a specific health condition, such as joint disease or insomnia, or even toward improving beauty<sup>778</sup>.

In Romania herbal medicinal products are traditionally sourced from “Plafar”. Plafar - is a famous Romanian brand with 80 years on the market a traditional brand with high customer awareness. Plafar become a generic name for a herbal products shop, like Xerox for photocopies, despite existence of the chain of “Societatea Nationala Plafar S.A.” markets and manufactures aromatic, herbal and medicinal plants a company who was founded in 1999 and is based in Bucuresti, Romania. A typical Plafar store offers a wide range of natural products, from teas, extracts and creams, to nutritional supplements, cosmetics and biological foods, most of them produced by local companies, as well as imported. It also sells bio foods, and specific books and magazines.

Last 10 years a large number of “Plafar” cover the supply for herbal products all over the country. Except the units of “Societatea Nationala Plafar S.A.” most stores are results of individual economic initiative, and practically are small companies.

## **3. General economic context for a small pharma business - Romania**

Half of Romanian small and medium-sized firms are seriously and severely affected by the economic and financial crisis. In Romania small businesses do represent a high percentage of the total number of enterprises. Last year, the number of operational Romanian small and medium companies went down to some one million<sup>779</sup>.

During the early stage of the transition, small and medium enterprises (SMEs) began to grow dramatically, primarily because of the privatization of enterprises in trade and services. The majority of SMEs at that time specialized in trade.

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<sup>777</sup> Blumenthal M., *The Complete German Commission E Monographs: Therapeutic Guide to Herbal Medicines*, , ed. American Botanical Council in cooperation with Integrative Medicine Communications, Austin, Tex, 1998, p.10.

<sup>778</sup> Feldman M, Hudson E, *Romania, Saudi Arabia and Vietnam Among Top Future Nutrition Product Markets*, Euromonitor International, November 2009.

<sup>779</sup> Romanian Trade Registry's National Office

A short review about “plafar” stores talks about 200 small stores<sup>780</sup>, but real number is bigger. Unfortunately statistics not cover real data about such kind of small business selling herbal products.

Poor or less educated consumers use herbal products self-medicate with herbal preparations for preventive or therapeutic purposes instead pharmaceutical products, because of small costs or may assume that these products are safe because they are "natural". As a natural result, herbal products are strong attached to the pharma market. Romania lacks a regulatory system for herbal products. Although only limited research on herbs has been published all over the world. There are increasing discussions over the miraculous power of plants, over their properties, the fact that each of us should give more importance to nature

Some products cause adverse effects or have the potential to interact with prescription medications. Yet herbs contain hundreds of components, some of which can cause ill effects directly, while others can interact adversely with pharmaceutical agents.<sup>781</sup> Few herbal drug manufactures can make claims of their product that have controlled double blind studies proving these claims.

According to market research firm Cegedim Romania in 2009 the domestic medicine market slowed down its growth rate measured in the national currency, by 13.1 %, and amounted to 8.1 billion Lei. In 2008, the medicine sector saw a 17.7 % increase, that is up to 7.16 billion lei. In Euros, the sales of medicines in Romania last year went down by 1.7% , reaching 1.9 billion Euros, as compared to the reported 6.8 % growth in 2008. Cegedim representatives estimate that this year medicine sales expressed in Euros will keep dropping by 2-3%, after the 1.7% decrease in 2009<sup>782</sup>.

Herbal products market is almost unknown in terms of data. Herbal products are included into a wide category: alimentary supplements, who, about specialists estimation<sup>783</sup> is continual growth. There are some possible explanations for this fact:

- herbal supplements are more popular now than ever before. People are looking for new ways to improve their health, and they are turning to natural remedies rather than pharmaceutical drugs more and more.
- anecdotally, it is thought that herbal products and dietary supplements are popular as a result of a widespread belief that the preparations are natural and, therefore, safe.
- herbal products are affordable. Pharmaceutical products are often very expensive.

#### **4. “Plafar” DI – positioning strategy**

Plafar DI is a small and successful family business consists in 2 stores.

None of the owners has previous experience, training or even idea about business. They practiced an adapted training that qualifies each one of them directly operational for the job market (not academic or diploma).

Bacau health and wellness market has grown to embrace an array of products, including dietary supplements, fortified/functional foods and beverages, organic and naturally healthy food and beverages, and nutritional products targeted to specific health conditions and food allergies/intolerances. Plafar DI has understand early this situation and has opened a first store into the Central Place in Bacau – most visited area in town (year 2003).

The market they act – Bacau area<sup>784</sup>, is covered by almost 25 stores. The large majority of them are small companies which are active only in the area where they have been established. Only a

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<sup>780</sup> Culita L., Do you remember Plafar tees?, Business Magazine, july 2009

<sup>781</sup> Zink T., Chaffin J., Herbal 'Health' Products: What Family Physicians Need to Know, American Family Physician Journal, October 1998.

<sup>782</sup> Mediafax announcement, Radio Romania International site, 21.04.2010, <http://www.rri.ro/art.shtml?lang=1&sec=10&art=31789>

<sup>783</sup> Dinu. D.I., Alimentary supplements market – 3 times smaller, Pharma Business, December 2008

<sup>784</sup> Plafar DI estimations

mini-chain, from 4 pieces, seems to be a real competitor. Big, powerful player, with national coverage are less important (one single player) from local market. The tendency seems to be increasing competition.

From an economic perspective, however, a city (Bacău -175500 inhabitants<sup>785</sup>) does not represent a population within rigid geographical boundaries. To an economist or strategic planner, a city represents an area of dominant influence over markets in adjacent areas. This fact was very good understood and applied from Plafar DI, when opening a second store near to the bus terminal (year 2010).

Plafar "DI" has already experienced some of the problems of small and medium-sized enterprises have already been identified as: limited access to funds, credit markets freeze and a shortage of liquidities, a reduced European fund accessing capacity and high taxation. In order to survive this poor condition and succeed into a very competitive market, "Plafar" DI should develop an efficient and coherent positioning strategy.

This process involve selecting specific attributes with witch is desirable for the company to be associated. Knowing witch attributes, benefits and values consumer use within a given product category constitutes a grand start for brand assessment<sup>786</sup>. A brand position is how it is perceived in the mind of consumers relative to competitor brands (Stanton 1978).<sup>787</sup> An effective position can be defined as one that enables a brand or service to occupy a preferred and unique niche in a customer's mind that is also consistent with the overall marketing strategy<sup>788</sup>

"Plafar DI" has a relative easy mission because lack of management knowledge of their competitors. A good product policy, in terms of a wide range of products, and a large number of information provided to the consumer are determinant in gaining a significant position.

The information Plafar "DI" provide **is to educate their customers on the proper use of herbal drugs and help guide them towards healthy lifestyle** changes that provide a better sense of well being and overall improved health. Plafar "DI" personnel acts as the attentive sisterly figure who guides patients in selecting the appropriate herbal treatment regimen for their various conditions, respecting next rules:

- the vendor shall have a general knowledge of herbal products.
- the vendor shall have a current, reliable reference.
- the vendor shall be satisfied that the products are safe.
- when counseling, the vendor shall be satisfied that the product(s) will not interfere/interact with the patient's possible disease state and/or other traditional medications.
- When counseling, the vendor shall be satisfied that the patient understands that the product is not to be used as an alternative to hi/her traditional therapy, unless so directed by his/her physician.
- When counseling, the vendor shall encourage the patient to inform his/her physician of the decision to try new therapy.
- The vendor shall recognize the need for intervention and/or referral to a physician.

The goal of an ad program should not be to communicate, but to occupy a "position" in the prospect's mind.

The main purpose of this process is that of promote a new image of "Plafar" DI, attracting many clients independent of living area, helpful for companies to consolidate their position on the market. Gaining customer loyalty becomes a key objective for "Plafar" DI who decide to adopt a relationship marketing perspective.

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<sup>787</sup> Lamb C.W., Dunne P.M , Theoretical developments in marketing, AMA, p.116-117

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