



Farmapronto: The Story of a Pharmaceutical Business

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Christian Medina was a young, independent entrepreneur, who started his career without previous business experience and who, after many difficulties, at the age of twenty-nine, already had three drugstores affiliated to Farmapronto. In 2023, Christian wondered what was best for the financial future of his business in the short term and felt an urgent need to make a decision. He asked himself whether it was time to create his own brand—a system that could allow for greater growth and profitability—or if he should design a strategy to make his three drugstores more profitable. Farmapronto is a group of independent pharmaceutical entrepreneurs that work under the same corporate image and trade name (Farmapronto, 2022).

Independent pharmacies use the Farmapronto brand as an image to position strategy for their businesses and to maximize the supplier network. Farmapronto was created in 1993 in Mexico City to strengthen independent pharmacies that had difficulties surviving at a time when the large pharmacy chains were getting stronger. In 2023, Farmapronto had more than 575 drugstores.

The Pharmaceutical Industry in Mexico

Mexico holds the second biggest pharmaceutical industry in LATAM, after Brazil, producing revenues for nearly \$1.12 trillion US dollars in 2022 (Statista, 2023). According to the National Institute of Statistics and Geography in Mexico (INEGI in Spanish), in 2021 the pharmaceutical industry in Mexico grew in 8.4% (see Exhibit 1) compared to the previous year (INEGI, 2022). The report called *Knowing the Pharmaceutical Industry* also indicated that there has been a steady growth in the number of pharmaceutical businesses with an average growth of 3.6% per year since 2003 (see Exhibit 2).

This case was written by Christian Yarid Ayala Millán (yaridayala@tec.mx); Delio Ignacio Castaneda Zapata (delio.castaneda@javeriana.edu.co) and María del Pilar Gómez Carreño (pilar.gomcar@tec.mx), with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. The document was elaborated from primary sources.

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According to this report, and in general terms, in 2020 this industry employed nearly 80,000 people, having the highest levels of women employed (46%), compared to other industries such as manufacturing (36%) and higher than the average of the economy (41%), having the USA as the main recipient of exports. In another report from INEGI (2016), *Statistics Regarding the Pharmaceutical Industry*, it is also indicated that in general, six products conglomerate nearly 60% of the value of production of this industry (see Exhibit 3), these are antibiotics (15%), medicine for the digestive system and for the metabolic system (10.5%), veterinary medicine (9.4%), vitamins (8.7%), and medicine for the cardiovascular system (6.4%).

Focusing on the regional market, INEGI issued a recent report called *National Survey of the Pharmaceutical Industry*, whose focus was to characterize the economic activity of the pharmaceutical industry in Mexico, it reports that in general, sales in this industry have increased since 2019, reaching more than \$563 million Mexican pesos (MXN) in 2022 (considering human and veterinary meds and medical devices). The study also shows that in all, there were 1990 companies in this industry. Most of those companies produced products for human consumption (followed to a lesser extent by veterinary products and medical devices), 97% of those products were sold in the country, and only 3% were exported.

It is also interesting to notice that while the national production of medicines for human consumption has increased between 2019 and 2022, the production of veterinary medicines and medical devices has remained stable. Focusing on the pharmaceutical industry that produces medicine for human consumption, this industry employed 111,953 workers, most of them in the production sector (32%) followed by sales (27%), and administrative positions (17%). It is also important to mention that this is an industry dominated by females; according to the report, in most areas female employees exceed male employees in terms of percentage (INEGI, 2023).

Two Stories at a Crossroads

The story of Christian's family is interrelated with the Farmapronto brand. This case describes first, the story of Farmapronto, and then, the story of how Christian's family expanded the independent business.

The Story of Farmapronto

“The story goes back to 1993, when due to the entry of new players into the pharmaceutical market, such as self-service stores and large pharmacy chains, the independent sector was threatened and significantly diminished. These commercial giants break the traditional scheme of buying and selling medicines, modifying the way the pharmacy operates, controlling the market in key cities and regions of the country, with the opening of a significant number of points of sale.

An enterprising, dynamic, and visionary family decided to take the initiative of grouping local independent pharmacies, to create a group that generates competitive advantages, such as large volume purchases and automated systems that are translated into attractive market offers. Achievable benefits for independent pharmacies, only with the support of our renowned

Farmapronto® brand” (Farmapronto, 2022). Today, Farmapronto has 575 branches distributed in seventeen states of the Mexican Republic and continues adding new independent entrepreneurs. (NetLogistik, 2022).

The organization strategy of Farmapronto stands as follows:

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

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

Farmapronto's Business Model

Farmapronto operates with the trademark using a contract model. The purpose of the scheme is to create a new business as an organized store chain, respecting the status of independent drugstore owners. The number of associates has increased over the years. There are two presidents, one in Mexico City and the other in the city of Cuernavaca. Although the president in Cuernavaca is the one with more power, each of the two presidents rules over different states in Mexico (Medina, C; personal communication, 2023-2024-2025). For instance, the one in Mexico City has influence on states such as San Luis Potosí, Oaxaca, and Mexico City, among others. So, the logic of the business model operates under the premise that whoever has a drugstore in Mexico can be affiliated to Farmapronto. To do it, there is a standard procedure, for example, it is necessary to provide legal documents and permissions such as the one provided by the Federal Commission for the Protection against Sanitary Risks (COFEPRIS in Spanish). Once the owner of the drug store is affiliated to Farmapronto, he or she receives several types of benefits such as attractive discounts when buying products, the use of the image and the brand of Farmapronto, and the benefits related to its reputation in the market. Once someone is affiliated to Farmapronto, it is necessary to pay a monthly membership fee of \$800 Mexican pesos (MXN) per month.

The Story of Christian and his family

Christian's family was one of the pioneers in establishing the independent Farmapronto business; they were invited by the CEO of Farmapronto in Cuernavaca, a state in Mexico, in 1993. That person told them that if more people from his family entered, it would give them more benefits and commercial promotions. It seemed fine to them, and some of Christian's relatives from Cuernavaca decided to be part of the business and then the rest of the family from Mexico City did too. In total, fifty people from his family decided to be part of the business. Christian's parents left their behind salaried job in Suburbia, a department store in Mexico, to start the new Farmapronto business. At first, they did double shifts in Suburbia and the new drugstore business, until the sales in Farmapronto finally increased to the point where they were able to quit salaried employment.

In 1998, Christian started working at his parents' drugstore at the age of fifteen, which gave him extensive experience to open his first drugstore at the age of twenty-one. He opened the second one and began to hire workers. He decided to open the third in 2013, before graduating as a business and marketing administrator.

A New Brand

As mentioned, the business model of Farmapronto was based on a group of entrepreneurs that have a contract and operate under the same brand and image. At the beginning, everything started with a group of people who decided to group different independent drugstores to provide a competitive advantage, for instance, buying great volume or systematizing some processes. However, Christian is considering the possibility of creating his own drugstore brand.

Christian had three drugstores. In 2021, profits grew 12.6%, and in 2022, 2.4%. Christian considers that the brand is one of the most valuable assets of a firm and may empower products and services in the marketplace. He believes that with his own brand he could build identity, uniqueness, and singularity to the business. His idea of a socially oriented firm is difficult to put into practice in the environment of Farmapronto. With his own firm, the name, services, personification, and packaging strategies could be designed according to his business model. For example, creating a new brand is an opportunity to create new services, that according to his experience, would be of great value to clients.

On the other hand, Christian is aware that launching a new brand is risky, with high failure rates. In addition to Farmapronto, other competitors are *San Pablo* and *Farmacias del Ahorro*. The success of the new firm depends on advertising, with large budgets associated and its resources are limited. The costs associated with marketing can cost billions of dollars for companies (Thomas et al., 2004). For instance, a recent report shows that on average, companies spend around 13% of their revenues on marketing but this also depends on the industry, while the technology and software sector can spend up to 30% of their revenues on marketing, in the healthcare and pharmaceutical sector companies can spend up to 14%. (Hope, 2024). In addition, Christian knows that dealing with Farmapronto after he leaves the company could annoy some people and there might be legal actions from Farmapronto.

The idea of creating a new brand to operate a system of drugstores is very appealing for Christian. So, here Christian asks himself: should I create my own brand of drugstores, or should I continue just being part of Farmapronto as owner of three drugstores?

The Strategy to Strengthen the Business

One of the issues of the business is related to the economic losses and the environmental impact due to medication expiration. Medication expiration can reach the figure of 8 to 10 percent of the inventory. On the other hand, the pharmaceutical sector, like other sectors, is currently making efforts to take environmentally responsible actions aimed at having a more sustainable planet (Medina, C; personal communication, 2023-2024-2025). Christian wonders if providing additional discounts on medications close to expiration can be a business strategy that might help

to obtain additional revenues. This measure might help to reduce the waste associated with expired medications, contribute to Earth's sustainability, which in turn might also have the potential to improve business reputation. At the same time this might be a competitive advantage for Christian.

Vision for the Future

With a long-term vision, Christian aims to expand his presence in various markets within Mexico. A fundamental pillar of this strategy is the acquisition of infrastructure that will allow him to establish his own pharmaceutical distributor under the name "Farmacias+b," thus establishing his independence from Farmapronto. He even envisions the possibility of collaborating with pharmacological chemists to develop and patent his own line of medications under the "Farmacias+b" brand, although this remains a future goal.

In the short term, Christian's commitment to the community is a priority. Therefore, he seeks to build a comprehensive strategy that encompasses production, logistics, and, quite importantly, social responsibility, thus ensuring a positive impact from multiple angles.

Christian's Crucial Dilemma

Farmapronto's successful trajectory over the past few decades now presents Christian with a crucial dilemma. In 2023, Christian finds himself at a crossroads, weighing the continuation of his current model, based on three consolidated pharmacies under the Farmapronto umbrella, against the bold vision of forging his own brand. This decision becomes pressing in the face of growing competition, ever-tightening profit margins, and the pressing need to differentiate to attract and retain customers.

In this uncertainty context, Christian's questions resonate: Which path should he take? What obstacles might arise when embarking on the creation of his own brand? What would be the costs of a possible failure? Is it prudent to maintain the pharmacies within Farmapronto, despite annual membership increases that limit their growth potential and supply inefficiencies that influence customer satisfaction?

Christian's dilemma is no small one. It involves assessing risks and opportunities, analyzing the viability of a new business versus the relative safety of an existing model, albeit one with obvious limitations. The answers to these questions will define the future of the business and its ability to thrive in an increasingly challenging pharmaceutical market.

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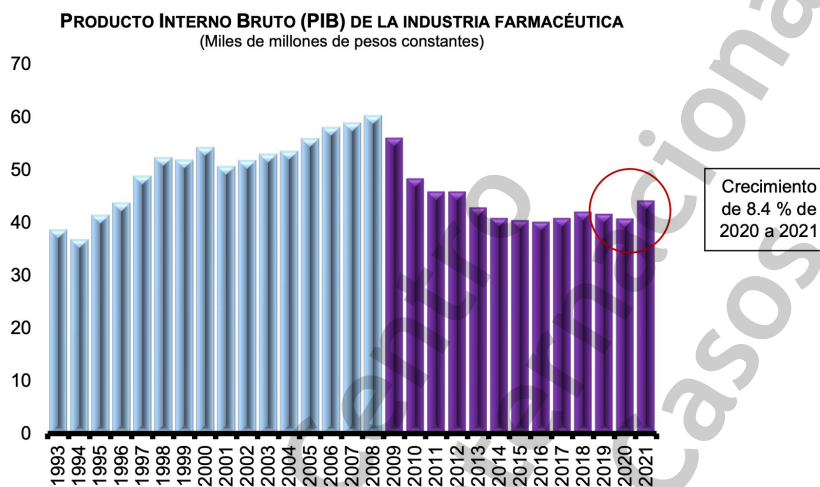
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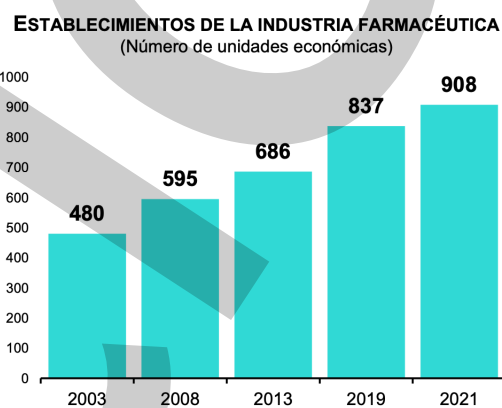
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Exhibits

Exhibit 1. Gross Domestic Product of the Pharmaceutical Industry.

Fuente: INEGI. Sistema de Cuentas Nacionales de México, 2013.

Source. INEGI, 2013.

Exhibit 2. Pharmaceutical Industry Establishments.

Fuentes: INEGI. Censos Económicos 2004, 2009, 2014 y 2019. Directorio Estadístico Nacional de Unidades Económicas (DENUE), 2021.

Source. INEGI, 2021.

Exhibit 3. Main Products of the Pharmaceutical Industry.

La Encuesta mensual de la industria manufacturera (EMIM) recaba información sobre los productos de esta industria.

Los antibióticos son los productos farmacéuticos más importantes que se producen (14.8% del valor de producción total y 22.3% del volumen total) en 2014. Les siguen por su importancia los medicamentos para el sistema digestivo y el metabolismo.

Volumen y valor de productos farmacéuticos, 2014

Productos farmacéuticos	Valor	Volumen
	Porcentajes	
Total	100.0	100.0
Antibióticos	14.8	22.3
Medicamentos para el sistema digestivo y metabolismo	13.2	14.9
Medicamentos para el sistema cardiovascular	8.9	6.8
Medicamentos para el sistema nervioso	8.8	5.9
Medicamentos para el sistema respiratorio	7.4	6.3
Vitaminas y compuestos vitamínicos	6.6	5.8
Medicamentos de uso veterinario	6.0	3.5
Analgésicos	4.1	9.0
Medicamentos para el sistema locomotor	3.6	4.3
Suplementos y complementos alimenticios	3.5	5.7
Medicamentos dermatológicos	3.1	3.6
Medicamentos para el sistema hematopoyético	2.5	1.6
Antiparasitarios	1.4	3.2
Vacunas	0.9	0.2
Antivirales	0.9	0.7
Oncológicos	0.7	0.7
Otros	13.6	5.5

Fuente: INEGI. Encuesta mensual de la industria manufacturera (EMIM).

Source. INEGI, 2014.