



## A Case Study of Mercury Drug Corporation: Strategic Adaptation to Universal Healthcare and Digital Disruption in the Philippines

Andrea Gwyneth Atento<sup>1</sup>; Ramon George Atento, PhD<sup>2</sup>

<sup>1</sup>Colegio de Sto. Domingo de Silos, Calatagan, Batangas

<sup>2</sup>First Asia Institute of Technology and the Humanities, Philippines, (<https://orcid.org/0009-0001-7598-1443>)

Corresponding Author: [roatento@firstasia.edu.ph](mailto:roatento@firstasia.edu.ph)

### Abstract

Retail pharmacy chains are central to healthcare access in emerging economies, particularly in contexts where government capacity is stretched. In the Philippines, Mercury Drug Corporation has evolved into the dominant market leader, with over 1,000 outlets and more than half of the national pharmaceutical retail market. However, the sector faces new challenges arising from universal healthcare reforms, digital disruption, and shifting consumer expectations. This study examines Mercury Drug's strategic positioning to assess how it sustains competitiveness while adapting to regulatory, technological, and social change. The paper also seeks to discuss broader implications for healthcare access and private sector participation in national health systems. A qualitative case study design was employed, drawing on secondary data from government reports, industry analyses, academic literature, and company publications. Analytical tools included PESTEL and SWOT frameworks, complemented by market segmentation and competitive analysis. Data were coded, categorized, and triangulated to ensure validity and reliability. Comparative insights from other Southeast Asian markets were incorporated to situate the case within a regional perspective. The findings reveal that Mercury Drug's enduring strengths—its nationwide branch network, consumer trust, and compliance reputation—continue to anchor its market leadership. However, weaknesses in digital adoption and price competitiveness expose it to threats from generics-focused chains and digital-first platforms. Comparative analysis highlights regional lessons: Singapore and Malaysia demonstrate the advantages of digital integration, Thailand underscores the necessity of wellness diversification under universal healthcare, and Vietnam illustrates how trust and modern retail can co-evolve. Mercury Drug's future competitiveness will depend on balancing legacy strengths with dynamic capabilities in digital transformation, sustainability, and diversification. For policymakers, the case underscores the need to align affordability policies with private sector viability. For scholars, it demonstrates the value of integrating strategic management and healthcare access frameworks in analyzing firm adaptation within regulated industries.

*Keywords: retail pharmacy, Mercury Drug, universal healthcare, digital disruption, strategic management, resource-based view, healthcare access, dynamic capabilities*

### 1. Introduction

The retail pharmacy sector plays a pivotal role in ensuring access to essential medicines and healthcare products, particularly in developing economies where formal healthcare infrastructure is unevenly distributed. In the Philippines, where healthcare systems remain under pressure from both communicable and non-communicable diseases, pharmacy chains have become critical intermediaries between manufacturers, healthcare providers, and the public.

Among these, Mercury Drug Corporation has emerged as the dominant market leader, accounting for more than half of the national pharmaceutical retail market and operating over 1,000 outlets nationwide as of 2017 (Philippine Statistics Authority, 2023; Villanueva & Enriquez, 2019). Since its establishment in 1945, the company has positioned itself as a trusted healthcare partner through wide geographic coverage, continuous

pharmacist training, and customer-oriented services such as 24-hour branches, delivery systems, and drive-thru outlets (Department of Health, 2023).

Despite this established leadership, the competitive and regulatory landscape of pharmaceutical retail in the Philippines is undergoing rapid transformation. The government's pursuit of universal healthcare and affordable medicine legislation has placed downward pressure on drug pricing (Asian Development Bank, 2021).

Simultaneously, the entry of digital-first pharmacies and telemedicine platforms is reshaping consumer expectations around accessibility and convenience (Santos, 2020). The rise of health consciousness, coupled with environmental concerns and shifting demographics, further complicates the strategic environment for traditional players. These developments raise questions about how incumbent firms such as Mercury Drug can

sustain competitiveness while meeting evolving consumer, regulatory, and technological demands.

Existing literature on Southeast Asian pharmaceutical retail highlights the pressures of globalization, digital disruption, and policy reforms (Villanueva & Enriquez, 2019; Santos, 2020). However, few studies have provided an integrated strategic analysis of how a dominant market leader in the Philippines navigates these multifaceted challenges while maintaining public trust and financial sustainability. This paper addresses this gap by presenting a case-based strategic assessment of Mercury Drug Corporation.

Analyzing Mercury Drug's strategic responses through business analytics and policy data provides empirical insight into how health-sector organizations translate regulatory signals into adaptive corporate strategy.

Specifically, the study aims to (a) examine the company's mission, values, and strategic objectives in the context of national healthcare priorities; (b) analyze the macroenvironmental, market, and competitive factors affecting its operations; (c) evaluate its internal strengths and weaknesses alongside external opportunities and threats; and (d) identify implications for sustaining leadership under conditions of regulatory reform and digital transformation.

By situating Mercury Drug within broader theoretical and policy frameworks, this analysis contributes to ongoing discussions on the evolution of retail pharmacy in emerging markets and offers insights for both scholars and practitioners concerned with healthcare access, business strategy, and organizational adaptation.

The scope of analysis covers the period 2018 to 2024, capturing regulatory reforms, digital-health adoption, and post-pandemic recovery trends that collectively shaped the strategic environment of the Philippine pharmaceutical retail sector. Situating the study within this timeframe clarifies the temporal boundaries of the evidence base and highlights the recency of insights.

## 2. Methodology

### 2.1 Research Design

This study adopts a qualitative case study design to examine the strategic position of Mercury Drug Corporation in the Philippine pharmaceutical retail sector. Case study methodology is widely used in management and organizational research because

it allows for an in-depth exploration of phenomena within their real-world contexts (Yin, 2018). In this instance, Mercury Drug represents an information-rich case, not only because of its dominant market share but also because of its historical role as a healthcare access point for millions of Filipinos. The case study approach makes it possible to integrate firm-level characteristics with external environmental factors such as policy reforms, economic shifts, and technological disruption.

The study is exploratory and descriptive rather than hypothesis-testing. Its primary objective is to provide a comprehensive strategic assessment that situates Mercury Drug within broader debates on healthcare access, digital transformation, and competitive sustainability in emerging markets.

### 2.2 Data Sources

The analysis draws primarily on secondary data. These include:

1. Government and regulatory reports, such as the Department of Health's Annual Report (2023), the Philippine Statistics Authority's National Health Accounts (2023), and licensing guidelines published by the Food and Drug Administration (FDA Philippines). These sources provide official insights into healthcare expenditures, medicine access trends, and regulatory conditions.
2. Industry reports and market profiles, including data from the Asian Development Bank (2021) on universal healthcare implementation and MarketLine's (2023) overview of the Philippine pharmaceutical industry. These materials offer benchmarks on revenue performance, consumer spending, and policy directions affecting pharmaceutical retail.
3. Peer-reviewed academic literature, particularly studies examining digital innovation in Philippine retail drugstores (Santos, 2020) and competitive dynamics in Southeast Asian pharmaceutical distribution (Villanueva & Enriquez, 2019). These provide theoretical anchoring for discussions on disruption, strategy, and regional comparison.
4. Company-level documents and public communications, including information from Mercury Drug's official website, press releases, and historical profiles. These shed light on the firm's mission, service models, and customer engagement strategies.
5. The reliance on secondary data is consistent with established practices in strategic management research where firm-level information is accessible from public and regulatory sources (Martins et al., 2018). Furthermore, using multiple categories of sources allows for triangulation, reducing

reliance on any single dataset and increasing the credibility of insights.

### 2.3 Analytical Framework

The study employs a multi-framework strategy for analysis, combining well-established tools of strategic management and marketing:

#### *PESTEL Analysis*

This framework evaluates the Political, Economic, Social, Technological, Environmental, and Legal factors influencing Mercury Drug's external environment. PESTEL has been widely used to assess industry environments and macro-level drivers of change (Schomaker and Sitter, 2020). For a firm embedded in a tightly regulated and socially significant sector, PESTEL provides a structured lens for capturing both opportunities and constraints.

#### *SWOT Analysis*

Building on the external scan, a SWOT matrix identifies Mercury Drug's Strengths, Weaknesses, Opportunities, and Threats. While sometimes critiqued for its simplicity, SWOT remains a practical tool for synthesizing environmental and internal analyses into actionable insights (Benzaghta, et al. 2021). Here, it is used not as a stand-alone diagnostic but as an integrative step connecting macroenvironmental forces to firm capabilities and vulnerabilities.

#### *Market Segmentation and Competitive Landscape Analysis*

The study also incorporates marketing strategy frameworks to analyze consumer demographics, behavioral tendencies, and psychographic profiles. Following Kotler and Keller (as cited in Sektiyaningsih & Febriarhamadini, 2024), segmentation is considered essential in understanding how Mercury Drug positions itself across diverse Filipino consumer groups. Additionally, a competitive analysis examines rival chains (e.g., Watsons, The Generics Pharmacy) and emerging online pharmacies to contextualize Mercury Drug's relative positioning.

The triangulated use of these frameworks allows the study to capture complexity: PESTEL situates the company within a changing national and regulatory environment; SWOT links this environment to organizational strengths and limitations; and market analysis explores customer-facing and competitive dynamics. Collectively, this provides a layered and comprehensive methodology appropriate for strategic case analysis.

### *Analytical Procedure*

The analytical process unfolded in four stages, ensuring that data from diverse sources were systematically collected, organized, and interpreted.

#### Stage 1: Data Collection

Government reports, industry profiles, and peer-reviewed literature were systematically identified using academic databases (e.g., Scopus, ScienceDirect), institutional repositories, and official government websites. Preference was given to sources published between 2018 and 2024 to capture recent trends in the pharmaceutical retail sector. However, earlier documents were included when historically significant (e.g., regulatory acts and foundational laws).

#### Stage 2: Data Categorization

All information was coded into analytical categories aligned with the PESTEL framework. For instance, the Cheaper Medicines Act (Republic Act 9502) was categorized under the "Political/Legal" dimension, while DOH reports on lifestyle-related diseases were coded under the "Social" dimension. This process enabled systematic mapping of external pressures.

#### Stage 3: Integrative Analysis

Once categorized, the data were synthesized into SWOT matrices that linked internal strengths and weaknesses with external opportunities and threats. For example, Mercury Drug's extensive branch network was coded as a "strength," while the rise of digital pharmacies was coded as a "threat." By integrating the PESTEL scan with SWOT, the analysis highlighted how external conditions amplify or constrain organizational capabilities.

#### Stage 4: Market and Competitive Assessment

The final step was to situate Mercury Drug within its competitive context. Drawing on marketing strategy frameworks, the consumer base was segmented by demographics (e.g., senior citizens, young professionals), behavior (e.g., prescription loyalty, casual OTC purchases), and psychographics (e.g., trust in legacy brands). Competitor analysis then compared Mercury Drug's positioning with key rivals such as Watsons, The Generics Pharmacy, and emerging digital-first platforms. This triangulated approach created a holistic view of both the firm's internal strengths and its vulnerabilities within a shifting market.

#### *Ensuring Rigor, Validity, and Reliability*

Case study research has often been criticized for potential subjectivity, making methodological rigor a central concern (Burnard, 2023). To address this, several strategies were implemented:

- Construct Validity – Multiple sources of evidence were used, including government data, peer-reviewed scholarship, and industry reports. This triangulation reduced the risk of relying on any single perspective and strengthened the credibility of findings.
- Internal Validity – Analytical coherence was ensured by systematically linking findings across frameworks. For instance, macro-level pressures identified through PESTEL were consistently cross-referenced with internal assessments in SWOT. This step ensured that conclusions flowed logically from evidence.
- External Validity – While the study focuses on a single case, Mercury Drug’s market dominance makes it representative of broader dynamics in the Philippine retail pharmacy sector. Findings may also be cautiously extended to similar emerging market contexts where dominant incumbents confront regulatory reform and digital disruption.
- Reliability – A transparent documentation process was followed, including explicit coding of data, source tracking, and framework application. This systematic approach makes the analysis replicable by other researchers using the same datasets.

Despite these measures, limitations must be acknowledged. The absence of primary data, such as interviews with managers or customers, constrains the ability to capture insider perspectives. Moreover, some industry reports are proprietary, limiting access to detailed financial benchmarks. These limitations are partially mitigated by drawing on multiple open-access sources and prioritizing peer-reviewed literature wherever possible. The triangulation of government, academic, and industry sources provides sufficient reliability for exploratory analysis, though primary research would enrich future validation.

#### *Ethical Considerations*

This study relies solely on publicly available secondary data, including government publications, company reports, and academic articles. As such, it did not involve direct human participants and is therefore exempt from institutional review board (IRB) clearance. Nevertheless, ethical standards in research were upheld in two ways.

First, intellectual integrity was ensured by providing proper attribution and citations following APA 7th edition guidelines. Direct quotes and paraphrased materials were carefully referenced to avoid plagiarism. Second, data integrity was respected by using official or peer-reviewed sources rather than unverified blogs or informal

commentaries. Even when using industry reports such as MarketLine, care was taken to corroborate insights with government data or academic studies. This approach safeguarded against misrepresentation and maintained transparency in sourcing.

Finally, while no personal or sensitive data were handled, the study acknowledges that the findings may influence perceptions of specific organizations. To mitigate potential reputational risks, the analysis was framed in an academic tone, avoiding speculative claims and grounding interpretations in verifiable evidence.

#### *Theoretical Justification of Frameworks*

The decision to employ PESTEL and SWOT as the primary analytical tools is grounded in their enduring utility in strategic management and healthcare market studies. Although often considered “classic” frameworks, they remain highly relevant when applied in combination with other strategic lenses.

PESTEL, originally developed to extend environmental scanning in strategic planning, remains widely used in healthcare studies to capture macro-level influences that directly affect service delivery and pricing models (Vojinovic & Stević, 2022). In contexts such as the Philippines, where government legislation, social demand, and regulatory enforcement play outsized roles in healthcare access, the framework provides a structured means of identifying external constraints and opportunities. For instance, universal healthcare reforms, pricing legislation, and demographic shifts are better understood when systematically mapped across political, economic, and social dimensions.

SWOT complements PESTEL by bridging external conditions with internal capacities. While some scholars have critiqued SWOT as overly simplistic and static (Westover, 2024), its relevance increases when used as an integrative synthesis rather than a final conclusion. In this study, SWOT analysis functions as the intersection between environmental scanning and firm-level strategy, showing how Mercury Drug’s established distribution network, customer trust, and compliance culture can either buffer or amplify the effects of external disruptions.

Market segmentation and competitive analysis frameworks, derived from marketing scholarship (Kotler & Keller, in Arnett, 2024), were incorporated to capture the consumer-facing dimension of Mercury Drug’s strategy. Unlike PESTEL and SWOT, which emphasize macro and organizational perspectives, segmentation allows for analysis of heterogeneous consumer needs. This is

particularly important in healthcare retail, where patient demographics, purchasing power, and cultural perceptions of branded versus generic drugs influence consumer choice. Together, these three frameworks produce a layered methodology that situates Mercury Drug within its regulatory, organizational, and consumer contexts.

#### *Researcher Positionality*

The study acknowledges the positionality of the researcher in framing the analysis. As an investigation of a leading corporation in a highly visible sector, the risk of bias toward either glorification or undue criticism is recognized. To mitigate this, the methodology deliberately emphasized triangulation, reliance on verifiable data, and the use of multiple analytical frameworks. The researcher approached Mercury Drug not as a commercial success story alone but as a case that illuminates broader questions of healthcare access, market competition, and organizational adaptation in emerging economies. This reflexive stance ensures that findings are framed within academic debates rather than corporate narratives.

#### *Methodological Contributions*

By adopting this triangulated, multi-framework methodology, the study contributes to three areas of scholarship. First, it demonstrates the continuing relevance of case study methods in analyzing complex, highly regulated industries in developing economies. Second, it highlights how classic tools such as PESTEL and SWOT can be revitalized when embedded in rigorous, literature-supported frameworks rather than used descriptively. Third, it underscores the importance of situating corporate strategy within broader social and policy concerns, reinforcing the idea that pharmacy retail in the Philippines is not only a business phenomenon but also a public health issue.

#### *Limitations and Future Methodological Directions*

Despite methodological rigor, certain limitations must be acknowledged. The study's reliance on secondary data precludes direct insights from organizational insiders or consumers, which could have enriched understanding of strategic intent and customer perceptions. Future research may address this by integrating primary data through interviews, surveys, or ethnographic approaches. Additionally, while the case study approach yields depth, it inherently limits generalizability. Comparative case studies involving multiple retail pharmacy chains in Southeast Asia would provide broader regional insights.

Nevertheless, the choice of a single-case design is justified by Mercury Drug's market dominance, which makes it a paradigmatic case

(Manickum et al, 2024). The study's emphasis on triangulation, validity, and theoretical grounding enhances its reliability and provides a methodological pathway for similar research on healthcare retail in comparable emerging markets.

### **3. Results**

#### **3.1 PESTEL Analysis**

The environmental scan of Mercury Drug Corporation reveals how political, economic, social, technological, environmental, and legal forces jointly shape its strategic landscape.

**Political Factors.** Mercury Drug operates under an intricate web of regulations that shape pricing, distribution, and retailing. Policies such as the Cheaper Medicines Act (RA 9502) and the Universal Health Care Law create both constraints and opportunities. While price ceilings reduce margins, compliance with government health campaigns, such as vaccination drives and distribution of essential medicines, bolsters Mercury Drug's reputation as a trusted healthcare partner. Political stability and the Department of Health's openness to public-private partnerships further enhance the company's capacity to operate nationwide.

**Economic Factors.** Despite macroeconomic volatility, demand for pharmaceuticals in the Philippines has remained resilient. As of 2017, Mercury Drug reported ₱132.73 billion in revenues, underlining the inelastic nature of medicine demand. However, inflationary pressures and currency fluctuations affect the cost of imported drugs, potentially squeezing profit margins. At the same time, the growing middle class and overseas remittances have boosted spending on health and wellness products, opening opportunities for product line diversification beyond prescription medicines.

**Social Factors.** Shifts in demographics and health awareness strongly influence Mercury Drug's performance. The Philippines' aging population drives higher consumption of maintenance medicines, while lifestyle-related conditions such as diabetes and hypertension expand demand for chronic care products. Additionally, cultural trust in Mercury Drug — reinforced by its decades-long brand presence and its slogan "Gamot ay Laging Bago" — secures consumer loyalty. However, younger, digitally native consumers are increasingly drawn to convenience-based alternatives, such as app-based pharmacies and telemedicine platforms.

**Technological Factors.** The COVID-19 pandemic accelerated digital adoption in healthcare, raising consumer expectations for online prescriptions, mobile ordering, and seamless delivery. Mercury Drug has responded with mobile



applications, loyalty programs, and delivery options, but lags behind newer entrants offering teleconsultation and fully digitalized ecosystems. Technology thus represents both a threat (from agile digital competitors) and an opportunity (to leverage its brand equity into a more integrated digital platform).

**Environmental Factors.** Rising environmental awareness influences consumer preferences, with demands for sustainable packaging and reduced plastic waste. While Mercury Drug has yet to publicize significant sustainability initiatives, evolving regulations on waste management may soon mandate corporate compliance. Positioning as an environmentally responsible retailer would enhance brand resilience among health-conscious consumers.

**Legal Factors.** Mercury Drug operates in a heavily regulated environment under the Philippine Pharmacy Law (RA 10918), FDA Act of 2009, and Data Privacy Act of 2012. While compliance requirements are stringent, they create barriers to entry for informal competitors. Mercury Drug's long history of compliance strengthens consumer trust and positions it favorably as regulators intensify enforcement against unlicensed or grey-market sellers.

Overall, the PESTEL analysis underscores Mercury Drug's capacity to thrive under regulation, but also highlights urgency in digital transformation and sustainability practices.

### 3.2 Market Analysis and Trends

**Market Segmentation.** Mercury Drug's customer base is remarkably diverse. Senior citizens, who depend on maintenance medicines, represent a stable segment that values reliability and access to government-mandated discounts. Middle-class families and young professionals prioritize convenience, seeking 24-hour branches and delivery services. Rural populations benefit from Mercury Drug's geographic reach, where it often provides the only formal pharmacy option. Behavioral patterns reinforce loyalty among prescription buyers, while over-the-counter customers increasingly demand wellness products such as vitamins and supplements. Psychographically, trust in Mercury Drug as a legacy brand reinforces its dominance, though younger consumers show openness to experimenting with newer, digitally oriented competitors.

**Competitive Landscape.** Despite its dominant share of over 50% of the market, Mercury Drug faces intensifying competition. Watsons Philippines differentiates by combining pharmaceuticals with

beauty and wellness products, appealing to lifestyle-conscious consumers. The Generics Pharmacy emphasizes affordability, targeting price-sensitive segments. Regional players such as Southstar Drug and Rose Pharmacy exploit regional loyalties. Meanwhile, digital-first platforms such as HealthNow and MedExpress introduce new value propositions, including e-prescriptions and telehealth integration. These entrants redefine competition by shifting the locus of value from physical convenience to digital accessibility.

Three broad trends redefine the sector:

1. **Digital Hybrid Models** – The pandemic normalized e-commerce for medicines, compelling Mercury Drug to accelerate its online offerings.
2. **Preventive Wellness Orientation** – Rising demand for supplements and fitness-related products pushes retail pharmacies to broaden inventories.
3. **Sustainability and Corporate Responsibility** – Consumers and regulators increasingly expect environmental accountability in packaging and operations.

Taken together, Mercury Drug maintains a strong competitive edge through scale, accessibility, and trust, but faces a rapidly evolving environment where agility and innovation will determine sustained leadership.

### 3.3 SWOT Analysis

The integration of external and internal findings reveals the following strategic position:

- **Strengths.** Mercury Drug's extensive branch network ensures national coverage unmatched by competitors. Its long-standing reputation for product authenticity and reliable service cultivates deep consumer trust. The firm's diversified service channels — including drive-thru pharmacies, home delivery, and loyalty programs — reinforce customer stickiness. Ongoing pharmacist training strengthens the brand's credibility as a professional healthcare provider.
- **Weaknesses.** Digital adoption remains slow relative to tech-driven entrants. The company's traditional model appeals strongly to older demographics but risks alienating younger, digitally native consumers. Its pricing strategy, while competitive, is less aggressive than that of generics-focused chains, creating vulnerability among cost-sensitive buyers.

- **Opportunities.** The push for universal healthcare expands the addressable market for regulated, compliant retailers. Digitization presents opportunities to integrate telemedicine, personalized health apps, and AI-driven prescription management. Rural expansion offers growth potential, as underserved provinces still face limited access to formal pharmaceutical outlets. Aligning with environmental sustainability agendas could also enhance brand resilience.
- **Threats.** Rising competition from generics chains and digital-first pharmacies threatens both market share and consumer relevance. The proliferation of counterfeit drugs in informal markets undermines industry trust. Economic pressures such as inflation and foreign exchange volatility create cost-side risks. Shifting consumer expectations around sustainability and convenience challenge the adequacy of traditional models.

### 3.4 Synthesis of Findings

The results demonstrate that Mercury Drug's legacy strengths — accessibility, reliability, and brand trust — remain decisive assets in maintaining market leadership. However, the external environment is rapidly reshaping consumer expectations through policy reforms, technological disruption, and evolving social norms. The company's sustained competitiveness depends on addressing weaknesses in digital engagement and proactively seizing opportunities in telehealth, sustainability, and rural expansion.

### 3.5 Comparative Insights

While Mercury Drug demonstrates enduring market dominance in the Philippines, comparative insights from Southeast Asia reveal both commonalities and divergences that illuminate its strategic position.

#### *Regional Competitors and Benchmarking.*

In markets such as Singapore and Malaysia, international chains like Guardian and Watsons have aggressively pursued digital-first strategies, integrating loyalty programs with e-commerce platforms and telemedicine services. Guardian's app ecosystem in Singapore, for example, offers personalized health recommendations, mobile prescriptions, and subscription-based delivery — features that resonate with digitally savvy urban populations. Compared to these models, Mercury Drug's digital adaptation remains limited, with mobile applications and delivery services still less integrated than regional benchmarks.

In Thailand, where universal healthcare has been implemented since the early 2000s, pharmacies have faced sustained downward pressure on margins. To survive, many firms diversified into wellness and preventive care markets, expanding into nutraceuticals, health monitoring devices, and in-store consultations. Mercury Drug has made similar moves in offering vitamins and supplements, but its business model remains primarily prescription-driven. This suggests that long-term adaptation to UHC in the Philippines may require broader diversification of revenue streams.

#### *Generics Competition Across Southeast Asia.*

The Philippines is not unique in witnessing the aggressive rise of generics-focused pharmacies. Similar trends have emerged in Indonesia and Vietnam, where small-scale chains emphasize low-cost alternatives. The Generics Pharmacy (TGP) in the Philippines parallels these models by leveraging price competition to capture cost-sensitive segments. Yet, unlike Indonesia, where generics chains remain fragmented, the Philippine generics market has consolidated under TGP, which has expanded nationally. Mercury Drug's relatively conservative pricing strategy exposes it to potential erosion of market share if consumers prioritize affordability over legacy trust.

#### *Digital Healthcare Ecosystems.*

Regional experiences highlight the transformative potential of digital integration. In Malaysia and Singapore, telemedicine platforms such as Doctor Anywhere and WhiteCoat partner with pharmacy chains for last-mile fulfillment. This integration blurs the line between healthcare provider and retailer, embedding pharmacies in broader ecosystems. By contrast, Mercury Drug continues to operate largely within a traditional retail model. While it has ventured into digital platforms, the absence of telehealth partnerships represents a gap in future competitiveness.

#### *Consumer Perceptions and Trust.*

Mercury Drug's core advantage — deep consumer trust — reflects broader cultural patterns in Southeast Asia, where legacy brands often retain strong loyalty despite the entry of international players. Similar dynamics exist in Vietnam, where Pharmacy has established itself as a household name through reliable service and nationwide accessibility. However, regional evidence suggests that trust alone cannot sustain dominance. In Malaysia, Watsons has successfully rebranded itself as a lifestyle wellness partner, demonstrating that consumer trust must evolve with shifting preferences.

### *Policy and Regulation*

The Philippine regulatory environment mirrors Southeast Asian trends in tightening compliance against counterfeit drugs and unlicensed sellers. In Indonesia, aggressive crackdowns on informal pharmacies pushed consumers toward formal retail chains, benefiting incumbents. Mercury Drug is similarly positioned to capitalize on stricter enforcement in the Philippines, which curbs grey-market competition. However, unlike Singapore, where regulations also incentivize sustainability reporting, environmental compliance in the Philippines remains underdeveloped. Anticipating future regulatory tightening could enable Mercury Drug to move proactively rather than reactively.

### *Synthesis of Comparative Findings.*

The comparative analysis underscores three insights. First, Mercury Drug's dominance in the Philippines mirrors regional incumbents but contrasts with their faster adoption of digital and wellness diversification. Second, regulatory reform presents both risks and opportunities: while price controls squeeze margins, stronger enforcement against informal competitors strengthens market legitimacy. Third, consumer trust remains a vital asset but must be recalibrated through innovation to align with younger demographics and global sustainability expectations.

## **4. Discussion**

### ***4.1 Linking Results to Strategic Management Theory***

The findings of this case study reveal how Mercury Drug's strategic position can be understood through established theories of firm competitiveness and healthcare access. The Resource-Based View (RBV) emphasizes that sustained advantage stems from resources that are valuable, rare, inimitable, and non-substitutable (Barney et al, 2021). Mercury Drug's extensive distribution network, cultivated trust capital, and long-standing regulatory compliance collectively form resources that competitors find difficult to replicate. These resources anchor its market leadership despite mounting challenges from generics-focused and digital-first rivals.

At the same time, the Dynamic Capabilities Framework (Day et al, 2016) underscores that advantage is not only about resources but also the ability to reconfigure them in response to change. The results show that while Mercury Drug possesses significant static advantages, its slower pace of

digital adoption represents a weakness in dynamic capability. In contrast, regional competitors such as Guardian (Singapore) and Watsons (Malaysia) have demonstrated agility in integrating telemedicine, e-commerce, and lifestyle branding. Mercury Drug's competitive sustainability thus depends not solely on its current resources but on how effectively it can transform them into digital and innovative competencies.

### ***4.2 Interpreting Market and Policy Dynamics***

The PESTEL analysis highlighted the dual impact of Philippine healthcare reforms. On one hand, the Universal Health Care Law expands the consumer base for regulated pharmacies by creating new opportunities for partnerships in government distribution programs. On the other hand, price ceilings mandated by legislation such as the Cheaper Medicines Act constrain margins and may reduce profitability. This tension mirrors regional experiences, particularly Thailand, where private pharmacies adapted to universal healthcare by diversifying into preventive wellness and value-added services. Mercury Drug's current reliance on prescription medicines places it at similar risk unless it proactively expands into complementary health and wellness markets.

The findings also underscore the role of institutional theory in shaping strategic outcomes. Institutional pressures from regulators (e.g., FDA licensing, data privacy requirements) create compliance costs but also confer legitimacy. Mercury Drug's reputation as a compliant, trustworthy brand aligns with DiMaggio and Powell's (2005) argument that organizations seek legitimacy through adherence to institutional norms. Stricter enforcement against informal drug sellers, similar to experiences in Indonesia, suggests that Mercury Drug's legitimacy will become an even more critical advantage as unlicensed competitors are phased out.

### ***4.3 Consumer Trust and Healthcare Access Frameworks***

Mercury Drug's dominance also reflects principles from the 4A framework of healthcare access: availability, accessibility, affordability, and acceptability (Maity and Singh, 2021). Availability is addressed through its extensive nationwide footprint, while accessibility is reinforced by 24/7 outlets and delivery services. However, affordability remains a contested area. Generics-focused chains such as TGP directly challenge Mercury Drug's pricing model, highlighting the need for more aggressive affordability strategies. Acceptability, closely linked to cultural perceptions and brand trust, has historically been Mercury Drug's strongest asset. Yet, as younger consumers demand digital



convenience and sustainability, acceptability is evolving beyond legacy trust toward innovation-driven legitimacy.

#### **4.4 Comparative Lessons from Southeast Asia**

The comparative analysis places Mercury Drug within a broader regional context. Singapore's Guardian and Malaysia's Watsons illustrate how rapid digital adoption redefines pharmacy retail, suggesting that Mercury Drug risks obsolescence if it fails to integrate telemedicine and app-based ecosystems. Thailand's adaptation to universal healthcare highlights the necessity of diversifying into preventive wellness, an area where Mercury Drug has only made incremental progress. Vietnam's Pharmacy demonstrates the possibility of cultivating consumer trust while simultaneously expanding into modern retail formats. Collectively, these cases suggest that incumbency and trust are necessary but insufficient conditions for long-term dominance. Adaptability and diversification are equally essential.

#### **4.5 Implications for Strategic Innovation**

The results highlight three innovation imperatives for Mercury Drug. First, digital transformation must become central to its competitive strategy. While incremental adoption of apps and delivery services is evident, regional best practices show the need for deeper integration with telehealth, AI-driven prescription management, and personalized customer engagement. Second, sustainability represents both a social responsibility and a competitive differentiator. Environmental stewardship, particularly in packaging and waste reduction, is increasingly demanded by both consumers and regulators across Asia. Third, market diversification into wellness, preventive health, and lifestyle products can mitigate the risks of overdependence on prescription-driven revenues, particularly under universal healthcare reforms.

#### **4.6 Contributions to Literature**

This study contributes to three strands of scholarship. First, it extends research on strategic management in emerging markets by showing how traditional tools such as PESTEL and SWOT, when applied rigorously, can generate insights about firms operating in heavily regulated, socially significant industries. Second, it contributes to healthcare access literature by framing pharmacy retail chains not merely as businesses but as integral actors in national health systems, especially where government capacity is stretched. Third, it enriches the literature on digital disruption by illustrating how incumbents in developing economies face

unique challenges in adopting technologies pioneered in more advanced markets.

#### **4.7 Limitations and Future Research**

The discussion must also acknowledge limitations. Reliance on secondary data precludes insider perspectives on Mercury Drug's strategic priorities. Future research could employ interviews or surveys to capture managerial intentions, consumer satisfaction, and perceptions of digital services. Additionally, while this case study offers depth, cross-country comparative studies would enrich understanding of how regulatory and cultural contexts mediate the adaptation of pharmacy chains across Southeast Asia. Finally, quantitative studies linking financial performance with strategic initiatives could provide more robust evidence of which adaptations yield the highest returns under universal healthcare reforms.

#### **4.8 Practical Implications**

For managers at Mercury Drug, the results underscore the urgency of investing in digital platforms and sustainability initiatives. For policymakers, the findings highlight the importance of designing universal healthcare policies that balance affordability with the viability of private sector participation. For scholars, the study demonstrates the utility of combining classic strategic frameworks with healthcare access theories to analyze firm-level adaptation in developing economies.

### **5. Conclusions and Implications**

#### **5.1 Conclusions**

This case study of Mercury Drug Corporation demonstrates how an incumbent market leader in the Philippine pharmaceutical retail sector sustains dominance in the face of regulatory reform, technological disruption, and evolving consumer preferences. The findings reaffirm the company's long-standing strengths: its nationwide branch network ensures availability, its reputation for product authenticity secures trust, and its diversified service channels reinforce accessibility. These resources exemplify the principles of the Resource-Based View (Barney et al, 2021), showing how unique and inimitable assets provide enduring advantage.

However, the analysis also highlights vulnerabilities. Mercury Drug's comparatively slow digital adoption leaves it exposed to emerging online pharmacies and telehealth-integrated competitors. Its pricing structure is less aggressive than generics-

focused chains, creating risk among cost-sensitive consumers. Additionally, environmental sustainability — increasingly demanded by both consumers and regulators — remains an underdeveloped area in the company's strategy. These weaknesses illustrate the critical role of dynamic capabilities (Fainshmidt et al, 2018): static resources alone cannot guarantee competitiveness without continual adaptation to changing environments.

Comparative insights from Southeast Asia reinforce these conclusions. In markets such as Singapore and Malaysia, pharmacy chains have successfully rebranded themselves as lifestyle wellness partners while integrating digital ecosystems. Thailand's experience under universal healthcare demonstrates the necessity of revenue diversification beyond prescription medicines. Vietnam's Pharmacy shows how trust and modern retail formats can co-evolve. Together, these regional parallels suggest that Mercury Drug's future competitiveness hinges on balancing its legacy advantages with innovation, diversification, and responsiveness to consumer and policy trends.

### 5.2 Implications for Policy

The results carry significant implications for policymakers concerned with healthcare access in the Philippines and comparable emerging economies.

First, universal healthcare reforms should be designed to preserve the viability of private sector partners. Aggressive price controls, if not offset by support mechanisms, may inadvertently weaken formal pharmacies, pushing consumers back toward informal or grey-market sellers.

Second, regulatory enforcement against counterfeit and unlicensed pharmacies remains essential. Mercury Drug's compliance record illustrates how legitimate retailers can benefit when regulators create a level playing field.

Third, policymakers may consider incentivizing digital transformation and sustainability initiatives in the pharmacy sector through grants, tax benefits, or public-private partnerships. Such measures could accelerate modernization and align private sector practices with national healthcare goals.

At the regional level, ASEAN governments can foster knowledge-sharing platforms that enable pharmacy chains to learn from each other's adaptation strategies. Lessons from Thailand's wellness diversification, Singapore's digital ecosystems, and Vietnam's brand modernization

could guide policy frameworks that encourage both innovation and inclusivity in healthcare delivery.

### 5.3 Implications for Practice

For Mercury Drug and similar incumbents, the findings underscore three immediate strategic priorities.

#### *Digital Integration*

Beyond incremental app development and delivery services, Mercury Drug must pursue deep integration with telehealth platforms, e-prescription systems, and personalized health management tools. Partnerships with technology firms, hospitals, or start-ups could accelerate this transformation, ensuring relevance among younger, digitally native consumers.

#### *Sustainability and Corporate Social Responsibility*

The company's reputation as a trusted health partner provides an ideal platform to lead in environmental responsibility. Initiatives such as eco-friendly packaging, waste reduction programs, and transparent sustainability reporting would not only respond to consumer expectations but also pre-empt likely regulatory tightening.

#### *Market Diversification.*

To mitigate risks from price ceilings and margin compression, Mercury Drug should expand into preventive wellness, nutraceuticals, and health-monitoring devices. These adjacent markets align with global consumer trends and strengthen resilience under universal healthcare reforms.

### 5.4 Implications for Scholarship

Academically, this study demonstrates the utility of combining classic strategic frameworks with healthcare access models to analyze firm behavior in regulated industries. PESTEL and SWOT, when applied with rigor and triangulation, remain powerful tools for identifying environmental and organizational dynamics. Integrating them with the RBV and healthcare access frameworks provides richer insights into how firms navigate the intersection of business strategy and public health. Future research may build on this by incorporating primary data from consumers, employees, and policymakers to deepen understanding of strategic decision-making in healthcare retail.

Mercury Drug's story illustrates a broader lesson for incumbents in emerging economies: legacy trust and scale can sustain dominance, but they cannot guarantee future leadership. In an era defined by universal healthcare, digital disruption,

and sustainability imperatives, the winners will be those who not only preserve their strengths but also reconfigure them into new capabilities.

For policymakers, the challenge is to balance affordability with sustainability, ensuring that private sector leaders remain viable partners in expanding healthcare access. For scholars, the case reaffirms the importance of situating corporate strategy within broader social and institutional contexts. Ultimately, Mercury Drug's trajectory will serve as a litmus test for how emerging market incumbents reconcile tradition with transformation in the pursuit of public health and business resilience.

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