CHAPTER – IV
PROFILE OF PHARMACEUTICAL INDUSTRY

4.0 INTRODUCTION

The first Indian pharmaceutical company, Bengal Chemicals and Pharmaceutical Works, which still exists today as one of 5 government-owned drug manufacturers, appeared in Calcutta in 1930. These five public sector drug-manufacturing units under the Ministry of Chemicals and Fertilizers are: Indian Drugs and Pharmaceutical Limited (IDPL), Hindustan Antibiotics Limited (HAL), Bengal Immunity Limited (BIL), Bengal Chemicals and Pharmaceutical Limited (BCPL) and Smith Stanistreet Pharmaceutical Limited (SSPL). In addition, there are a number of pharmaceutical manufacturing units under the control of state governments such as Goa Antibiotics Ltd. and Karnataka Antibiotics Ltd. For the next 60 years, most of the drugs in India were imported by multinationals either in fully-formulated or bulk form. There are 24,000 licensed pharmaceutical companies. Of the 465 bulk drugs used in India, approximately 425 are manufactured here. India has more drug-manufacturing facilities that have been approved by the U.S. Food and Drug Administration than any country other than the US. Indian generics companies supply 84% of the AIDS drugs that Doctors without Borders uses to treat 60,000 patients in more than 30 countries.

The Indian pharmaceutical industry currently tops the chart amongst India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. A highly organized sector, the Indian pharmaceutical industry is estimated to be worth $ 6 billion, growing
at about 10 percent annually. It ranks very high amongst all the third world countries, in terms of technology, quality and the vast range of medicines that are manufactured. It ranges from simple headache pills to sophisticated antibiotics and complex cardiac compounds; almost every type of medicine is now made in the Indian pharmaceutical industry.

The Indian pharmaceutical sector has expanded drastically in the last two decades. The Pharmaceutical industry in India is an extremely fragmented market with severe price competition and government price control. The Pharmaceutical industry in India meets around 90% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectables. There are approximately 300 big and medium scale Pharmaceutical companies and about 8000 Small scale units, which form the core of the pharmaceutical industry in India.

In future it will be a growth period of the Indian Pharmaceutical Industry. The growth is expected to emerge from three major areas:

1. Contract research and development services.
2. Export led business of generics and bulk drugs and
3. Growth in specialty therapeutic areas in the domestic market.

The growth in the institutional segment is likely to raise the market for diagnostics.

Increasing industrialization, literacy levels and urbanization are likely to increase the health awareness of the general public. Consequently the demand for preventive medicine in general and immunological like tetanus
toxoid, triple antigen (DPT), measles vaccine, Hepatitis vaccine, anti-rabies vaccine, polio vaccine and typhoid vaccine are likely to increase.

Companies are likely to pay greater attention to their human resources development effort in general and management developmental programs in particular.

The present state of armed truce between the trade and the industry is likely to continue in the future. But with a difference. The industry is likely to be united more closely than before.

Companies, which have strong research, focus and competence only can achieve a sustainable growth and performance in the borderless future market place. Now the companies are steadily increasing their investment in Research and Development.

Companies that think strategically are the ones that are likely to succeed in the future. Marginal firms are likely to be marginalized. Strategic thinking plays an even greater role in the coming years. Unless the pharmaceutical companies in India start preparing for future competition right now by upgrading in all areas it could be very difficult to exploit growth opportunities. It might become difficult even to survive any longer.

The industry will continue to be in consolidation mode and mood. The last few years have seen a spate of mergers and acquisitions of brands as well as companies. Indian companies continue to be aggressive in pursuing merger and acquisition strategies to gain access to international markets and to reinforce their position. Strategic alliances too will be on the rise
particularly in the areas of contract research, contract manufacturing and product licensing.

The top ten pharmaceutical companies in Indian market are listed here under:

Cipla ranks first with largest value growth rate of 18% and volume growth of 15.3%, with an annual value turnover of ₹ 2155 crores and at the bottom of the table is Aristo Pharmaceutical with 18.6% value growth rate and 20.1% volume growth on an yearly turnover of ₹ 966 crores. The other pharmaceutical companies which tops in top 10, in Indian Pharmaceutical market are Ranbaxy, Glaxo, Piramal, Zydus Cadila, Sun pharmaceutical, Alkem, Mankind, Lupin. The total scenario in this regard has a positive impact on growth of pharmaceutical industry which is explained hereunder with the help of table as well as graphic presentation.

**Table 10 and Graph 5 : Top 10 Companies Driving Market**

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Value in cr</th>
<th>Value growth</th>
<th>Volume growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPM</td>
<td>40,052</td>
<td>17.0</td>
<td>16.3</td>
</tr>
<tr>
<td>CIPLA</td>
<td>2,155</td>
<td>18.0</td>
<td>15.3</td>
</tr>
<tr>
<td>RANBAXY</td>
<td>1,968</td>
<td>13.7</td>
<td>13.9</td>
</tr>
<tr>
<td>GLAXOSMITHKLINE</td>
<td>1,743</td>
<td>18.0</td>
<td>18.1</td>
</tr>
<tr>
<td>PIRAMAL HEALTHCARE</td>
<td>1,644</td>
<td>22.8</td>
<td>21.5</td>
</tr>
<tr>
<td>ZYDUS CADILA</td>
<td>1,485</td>
<td>21.2</td>
<td>21.7</td>
</tr>
<tr>
<td>SUN PHARMA</td>
<td>1,450</td>
<td>22.9</td>
<td>16.6</td>
</tr>
<tr>
<td>ALKEM</td>
<td>1,286</td>
<td>22.5</td>
<td>28.0</td>
</tr>
<tr>
<td>MANKIND</td>
<td>1,101</td>
<td>27.9</td>
<td>26.9</td>
</tr>
<tr>
<td>LUPIN LIMITED</td>
<td>1,098</td>
<td>16.3</td>
<td>20.1</td>
</tr>
<tr>
<td>ARISTO PHARMA</td>
<td>966</td>
<td>18.6</td>
<td>20.1</td>
</tr>
</tbody>
</table>

**Source:** March 10, ORG-IMS Data
4.1 ADVANTAGE INDIA

As regards the pharmaceutical marketing in the world, India is becoming one of the front runner destinations because of its second largest population in the world, the pace of development of its economy, adoption of technological advancements, economical medical treatment cost and also availability of world renowned physician’s etc. Following are the advantages of Indian Healthcare Scenario:

- **Competent workforce:** India possesses a skillful work force with high managerial and technical competence.

- **Cost-effective chemical synthesis:** The track record for development, particularly in the area of improved cost-beneficial chemical synthesis for various drug molecules is excellent.

- **Legal and Financial Framework:** India is a democratic country with a solid legal framework and strong financial markets. There is already an established international industry and business community.

- **Information and Technology:** It has a good network of world-class educational institutions and established strengths in Information Technology.

- **Globalization:** The country is committed to a free market economy and globalization. Above all, it has a 70 million middle class market, which is constantly growing.
**Consolidation**

After many years, the international pharmaceutical industry has discovered great opportunities in India. The process of consolidation, which has become a popular phenomenon in the world pharmaceutical industry, has started taking place in the Indian pharmaceutical industry as well.

**Booming Sales**

India is gaining importance as a manufacturer of pharmaceutical. Between 1996 and 2006, sales of pharmaceutical were up by 9% per annum and thus expanded much faster than the global pharmaceutical market as a whole. Demand in India is growing markedly due to rising population figures, the increasing number aging population and the development of incomes. As
a production location, the country is benefiting from its wage cost advantages over western competitors, when it comes to producing medicines.

**Medical Tourism**

The concept of medical tourism is an age old concept. In this digital era, half a million people travel across the globe for health purposes. People from developed and affluent countries are moving out of their own countries to other destinations, seeking solitude, natural and holistic remedies and eco friendly experiences. Medical Tourism is one such new area that is ripe with potential.

- **Medical travel:** When an individual travel across the border and outside one’s customary environment to seek healthcare services.
- **Medical Tourist:** Upon arrival, such an individual is called a medical tourist.
- **Medical Tourism:** Traveling to a destination in another country to receive medical, dental and surgical care because the destination enables better access to care, provides higher quality care or offers the same treatment at a more affordable price.

India is economical medical tourism hub, major or minor, and is equal to the major hubs in terms of quality of staff and equipment. Prices average at a fifth of the United States, with particular deals in dentistry and diagnostic imaging, which approach a tenth the price. India deals with a higher proportion of major surgery tourists than minor surgery and check up tourists than the other major hubs, which has given rise to specialist hospitals across India. These hospitals are far out of the reach of most Indians and cater specifically to foreign tourists for very specific needs – for example some
centers will focus strongly on the heart surgery while others will deal with joint replacement.

Medical tourism is actively promoted by the government’s official policy. India’s National health policy 2002, for example, says, “To capitalize on the comparative cost advantage enjoyed by domestic health facilities in the secondary and tertiary sector, the policy will encourage the supply of services to patients of foreign origin on payment. The rendering of such services on payment in foreign exchange will be treated as ‘deemed exports’ and will be made eligible for all fiscal incentives extended to export earnings.

Best hospitals for medical tourism in India: The list is not exhaustive but illustrative.

1) Apollo Hospital, Chennai
2) Indraprashta Apollo Hospitals, New Delhi
3) Escorts heart Institute and Research Centre, New Delhi
4) Max Super Specialty Hospital, New Delhi
5) Wockhardt Hospital and Kidney Institute, Kolkata

**India’s strengths in Medical Tourism**

- Indian medical centers provide services that are in fact uncommon elsewhere.
- World-class treatment at competitive prices is available.
- Availability of skills, knowledge and resources.
- India’s quality of care is world class, competing with any other industrialized country.

- Indianism: With Ayurveda becoming increasingly popular across the globe, this ancient Indian therapy can be used as a non-surgical treatment for various ailments along with the meditation and yoga. This gives the touch of Indianism to the treatment.

- The diversity of tourist destinations availability: Leisure tourism is already very much in demand in India as the country offers diverse cultural and scenic beauty. India has almost all sort of destinations like high mountains, vast deserts, scenic beaches, historical monuments, and religious temples, etc. known for its hospitality for tourists.

Medical tourism in India is growing at a rate of 30 percent per year. It is estimated that India will earn US$ 2.2 Billion a year through medical tourism by 2012.

4.2 PENETRATION IN THE WORLD MARKET

Exports

The Domestic pharmaceutical sector has been expanding and has is estimated at US$ 11.72 billion (₹ 55454 crore) in 2008-09 from US$ 6.88 billion (₹ 32575 crore) in 2003-04. Indian exports are destined to various countries around the globe including highly regulated markets of USA, Europe, Japan and Australia.
Export of domestic drugs and pharmaceutical from 2003-04 to 2008-09 are given in table below:

**Table 11 : Growth rate of Domestic Indian market.**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Domestic Indian market (figure in ₹ crore)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>32575</td>
<td>7.28</td>
</tr>
<tr>
<td>2004-05</td>
<td>34128</td>
<td>4.77</td>
</tr>
<tr>
<td>2005-06</td>
<td>39989</td>
<td>17.17</td>
</tr>
<tr>
<td>2006-07</td>
<td>45367</td>
<td>13.45</td>
</tr>
<tr>
<td>2007-08</td>
<td>50946</td>
<td>12.30</td>
</tr>
<tr>
<td>2008-09</td>
<td>55454</td>
<td>8.85</td>
</tr>
</tbody>
</table>

**Source:** Annual Report 2009-10, Department of Pharmaceutical, Government of India

**Pharmaceutical Export Promotion Council (Pharmexcil)**

The Department had played a pivotal role in the formation of Pharmexcil consequent to the recommendation from 9th Five Year Annual Plan Working Group Report on Drugs and Pharmaceutical. In the light of this, the Department constantly interacts with Pharmexcil in their work areas. The role of Pharmexcil is for facilitation of exports of Drugs, Pharmaceutical, Biotechnology products, Herbal medicines and Diagnostics, to name a few. It is authorized to issue Registration-cum-Membership Certificate (RCMC) which is one of the requirements for the importers and exporters of commodities. In addition to this, Pharmexcil is concerned with giving export thrust to the various products through visits of delegations to various markets abroad, organizing of seminars, workshops and exhibitions. As a major area of work, Pharmexcil also holds Buyers/Sellers meets and compiles detailed data base
on pharmaceutical exports and problems in exporting pharmaceutical group products of Pharmaceutical.

Table 12: Top 20 destinations of Indian Pharmaceutical products during 2008-09

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Importing country</th>
<th>2008-09 (figure in ₹ Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
<td>7103.27</td>
</tr>
<tr>
<td>2</td>
<td>Russia</td>
<td>1519.20</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>1441.87</td>
</tr>
<tr>
<td>4</td>
<td>Austria</td>
<td>1417.15</td>
</tr>
<tr>
<td>5</td>
<td>UK</td>
<td>1233.09</td>
</tr>
<tr>
<td>6</td>
<td>South Africa</td>
<td>1126.75</td>
</tr>
<tr>
<td>7</td>
<td>Canada</td>
<td>1090.43</td>
</tr>
<tr>
<td>8</td>
<td>Brazil</td>
<td>1018.89</td>
</tr>
<tr>
<td>9</td>
<td>Nigeria</td>
<td>1001.74</td>
</tr>
<tr>
<td>10</td>
<td>Ukraine</td>
<td>687.22</td>
</tr>
<tr>
<td>11</td>
<td>Israel</td>
<td>686.22</td>
</tr>
<tr>
<td>12</td>
<td>Netherlands</td>
<td>669.98</td>
</tr>
<tr>
<td>13</td>
<td>Spain</td>
<td>620.02</td>
</tr>
<tr>
<td>14</td>
<td>Turkey</td>
<td>614.20</td>
</tr>
<tr>
<td>15</td>
<td>China</td>
<td>561.53</td>
</tr>
<tr>
<td>16</td>
<td>Kenya</td>
<td>543.86</td>
</tr>
<tr>
<td>17</td>
<td>Vietnam</td>
<td>536.62</td>
</tr>
<tr>
<td>18</td>
<td>Belgium</td>
<td>520.90</td>
</tr>
<tr>
<td>19</td>
<td>Italy</td>
<td>57.85</td>
</tr>
<tr>
<td>20</td>
<td>Mexico</td>
<td>501.54</td>
</tr>
</tbody>
</table>

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS) Kolkata
Ethical Marketing

Ethical marketing is an honest and factual representation of a product, delivered in a framework of cultural and social values for the consumer. It promotes qualitative benefits to its customers, which other similar companies, products or services fail to recognize.

Ethical marketing frames messages in a way that the consumer identifies with. It encourages companies to integrate cultural, social, economic and environmental values into their culture, strategy and actions, and reinforces the positive values of the brand, creating a strong ‘citizen brand’. This is all done on a voluntary basis, and is generally an offering above and beyond statutory requirements.

Through the effective use of ethical marketing and corporate social responsibility, companies are able to positively contribute to society and manage the environmental impact of their organization, whilst maintaining and even growing the contribution to their bottom line. It can have direct benefits on businesses and can help secure long-term competitiveness.

Ethical marketing in Pharmaceutical companies should observe following guidelines:

Promotional practices must be consistent with patients' benefit, must be ethical and must be in good taste.

- Information provided must take account of customer needs and must be based on product information as it has been approved by the local authority, derived from the approved Basic Product Information.
Event sponsorship must be clearly disclosed and the primary objective of a meeting must be scientific in nature.

Hospitality must be appropriate, in good taste consistent with local practices and secondary to the main purpose of the meeting.

Gifts must be modest and relevant to the practice of medicine.

Personal incentives to prescribe are prohibited.

Samples must be handled with the prime objective of familiarizing the customer.

Sales representatives must have appropriate training and product knowledge.

Compensation for healthcare professionals must be provided only for actual, reasonable and necessary services.

Since the end of the 1980s, India has been exporting more pharmaceutical than it imports. Over the last ten years the export surplus has widened from EUR 370 m to EUR 2 bn. At 32% in 2006, the export ratio was about twice as high as in 1996 and will likely rise further in the coming years.

The government started to encourage the growth of drug manufacturing by Indian companies in the early 1960s, and with the Patents Act in 1970, the pharmaceutical industry developed with greater space. This
Patent Act removed composition patents from food and drugs, and though it kept process patents, these were shortened to a period of five to seven years.

The lack of patent protection made the Indian market undesirable to the multinational companies that had dominated the market, and while they streamed out, Indian companies started to take their places. They carved a niche in both the Indian and world markets with their expertise in reverse-engineering new processes for manufacturing drugs at low costs. Although some of the larger companies have taken small steps towards drug innovation, the industry as a whole has been following this business model until the present.

Until the 1970s, India’s pharmaceutical market was mainly supplied by large international corporations. Only cheap bulk drugs were produced domestically by state-owned companies founded in the 1950s and 60s with the help of the World Health Organization (WHO). These state-run firms provided the foundation for the sector’s growth since the 1970s. Back then, Indian government aimed to reduce the country’s strong dependence on pharmaceutical imports by flexible patent legislation and to create a self-reliant sector. In addition, it introduced high tariffs and limits on imported medicines and demanded that foreign pharmaceutical companies reduce their shares in their Indian subsidiaries to two fifths.

This made India a less attractive location for international companies, many of which left the country as a consequence. Especially Indian Drugs and Pharmaceutical Ltd. (IDPL) are credited with speeding up the development of a national pharmaceutical industry. In the 1980s, however, the decline of state-run companies began - among other things because of
increasing central government bureaucracy and insufficient corporate governance.

By contrast, the weakening of the Patent system and numerous protectionist measures sped up the development of a major national pharmaceutical industry on a private-sector basis, which made it possible to provide the population with a large number of drugs.

Legal changes in India, in 2005, made it considerably more difficult to produce “new” generics. Foreign pharmaceutical, which enjoy 20 years of patent protection, can no longer be copied by means of alternative production procedures and sold in the domestic market. Hence, a reorientation was required in India’s pharmaceutical industry. It now focuses on drugs developed in-house and contract research or contract production for western drug makers. The sector’s development is slowed by major infrastructure problems. These are, above all, qualitative and quantitative shortcomings in the power and transport sectors.

In 2001, India’s pharmaceutical industry became the focus of public debate when CIPLA, the country’s second-largest pharmaceutical company, offered an AIDS drug to African countries for the price of USD 300, while the same preparation cost USD 12,000 in the US.

This was possible because the Indian company produced an all-in-one generic pill which contains all three substances (Stavudine, Lamivudine and Nevirapine) required in the treatment of AIDS. This kind of production is much more difficult in other countries as the patents are held by three different companies. In the final analysis, the price slump was a result of
India's lax patent legislation. In 2005, patent legislation was tightened, so India’s pharmaceutical sector had to adjust.

**4.3 DEVELOPMENT OF INDIA’S PHARMACEUTICAL INDUSTRY**

Up until the 1970s, India’s pharmaceutical market was mainly supplied by large international corporations. Only economical bulk drugs were produced domestically by state-owned companies founded in the 1950s and 60s with the help of the World Health Organization (WHO). These state-run firms provided the foundation for the sector’s growth since the 1970s. Back then, Indian government aimed to reduce the country’s strong dependence on pharmaceutical imports by flexible patent legislation and to create a self-reliant sector. In addition, it introduced high tariffs and limits on imported medicines and demanded that foreign pharmaceutical companies reduce their shares in their Indian subsidiaries to two-fifths.

**Large Market Share for Generic Drugs**

As there was no efficient patent protection between 1970 and 2005, many Indian drug producers copied expensive original preparations by foreign firms and produced these generics by means of alternative production procedures. This proved more cost-efficient than the expensive development of original preparations as no funds were required for research, which contained the financial risks. This spending may come to as much as EUR 600 m for only one drug. This kind of money could previously only be raised by large corporations in the industrial countries.

The competitiveness of generics producers is based on cost-efficient production. In this field, Indian companies are currently in top position. At
one-fifth, India’s share in the global market for generic drugs is considerably higher than its share in the overall pharmaceutical market (approx. 2%). At the same time, India’s pharmaceutical companies gained know-how in the manufacture of generic drugs. Hence the name “pharmaceutical cy of the poor” which is frequently applied to India. This is of significance for the domestic market as disposable income is as little as EUR 1,900 per year for roughly 140 million of the total of 192 million Indian households, which means the majority of Indians, cannot afford expensive western preparations.

Exports of Pharmaceutical Products

In 2006, India’s pharmaceutical industry exported products worth EUR 3 bn, up from only EUR 650 m in 1996, which was due to the fact that demand for low-cost generic drugs is strongly on the rise, above all in the US, Europe and Japan. At 22%, export growth in 2006 was even twice as high as the global average and in Germany (roughly 11% each). Meanwhile, India’s export ratio has reached 32% about double the figure registered ten years ago. For some time now, India has exported more pharmaceutical products than it imports. Over the last ten years, the export surplus has risen from about EUR 370 m to currently just under EUR 2 bn. Slightly over 80% of the drugs are sold to the US and Europe, where Indian companies are benefiting from the population’s purchasing power as well as regulatory changes (greater cost-consciousness). By contrast, traditional sales markets such as Russia, Southeast Asia, Africa and Latin America have lost its importance. However, only 60 production locations of India’s pharmaceutical sector have been certified by the World Health Organization, which implies they comply with the strict quality standards imposed by the US Food and Drug Administration (FDA), Compliance with FDA standards is the precondition for selling products on the important US market.
4.4 POPULATION GROWTH AND PHARMACEUTICAL BUSINESS IN INDIA

India’s pharmaceutical sector is receiving a major boost from population growth. According to UN estimates, the population total looks set to rise from 1.1 bn at present to 1.4 bn in 2020. Up until 2020, India will see as many children being born as there are people living in Germany, France, the UK and Italy together. By 2025, India will probably have overtaken China as the world's most populous Country. Its population growth results, not least from higher life expectancy. This is attributable, among other things, to improved preventive healthcare. Of course, though, average life expectancy in India is still markedly lower than in western countries. While the figure is 64 years for men and 66 years for women in India, life expectancy in Germany is 76 years for men and 82 years for women.

The ageing of the population in India offers considerable market opportunities. According to a UN estimate, the share of people over the age of 65 in the total population will rise from 5% currently to 8% in 2025. This would mean roughly 55 million more people aged 65 and over, than today. As a result, typical age-related illnesses such as cancer, diabetes and cardiovascular diseases will be more wide-spread. The pharmaceutical sector will also receive a boost from the gradual spreading of civilization diseases such as obesity and diabetes. According to PricewaterhouseCoopers (PwC), the number of Indians with diabetes will reach approx. 74 m in 2025 (currently 34 m); this is roughly the population of Turkey today. In the developing countries as a whole, there could be just fewer than 230 m. diabetes patients. This development should benefit India’s generics manufacturers.
Upcoming Extra-Urban Markets in India

Rural Market Coverage

Indian pharmaceutical companies are eyeing the global markets and employing tactics to grab a piece of the international consumers’ wallet. But for long, rural market in India was unattended by most of the pharmaceutical companies. The top companies cover over 80% in urban markets but rural reach is around 30% whereas 70% of Indian population stays in rural market.

This fact is been realized by most of pharmaceutical companies and thus they have started focusing now on rural coverage either through the separate division or through existing field force.

Marketing Activities of Pharmaceutical Companies in Rural Areas

Rural marketing activities of many pharmaceutical companies have been traditionally restricted to markets with stocks of the concerned product; and stocking them with the chemists or dispensing doctors. Not much emphasis was given to employing novel marketing strategies to woo the rural Indian doctors and patients.

The pharmaceutical industry as such needs a lot of facilities and experts. As these facilities and experts are available only in the urban areas, our market comprises predominantly of urban areas (70 percent of the total market) and hardly 30 percent in rural areas.

About 70 percent of India resides in villages, which (according to various sources) comes approximately to 74, 26,17,747 of the whopping 1.1 billion of the total Indian population. In India, only 30 percent of the population has access to quality medicines and the treatment gap in almost
every chronic disease segment is more than 65 percent. Therefore, the opportunity is huge.

The best and the largest of pharmaceutical companies used to reach only Class 1 and II towns. Still in many pharmaceutical companies, marketing in the villages possibly includes some unplanned taxi tours or they leave it to the stockiest network to make the goods available without any doctor promotion in the rural areas. Hence, the villages present a huge untapped market.

The rural market is indeed very large and is growing. There is an estimated 20 million middle class households spread across 6,00,000 villages in rural India, which is equal to the number of middle class households in urban India. In addition, the disposable income in rural India is much more as compared to urban areas. Food, shelter and primary education are virtually free in rural areas, whereas a substantial chunk of the income in urban areas is spent on these. As a consequence, the spend on healthcare in rural India is also increasing.

4.5 THE RURAL MARKET AREA

Given the potential of the rural markets, these days, companies are more open to reaching the rural consumer than even before. However, most of the products that are being advertised and marketed aggressively are the low risk-low involvement products like pain balms, lozenges, cough and cold syrups.

The high risk-high involvement products like cardiac or cancer products are not advertised or marketed through media as regulations
prevent this. However, companies have often taken the community-welfare route to educate the rural consumers about a particular disease segment and make them aware of the treatments available. Companies are conducting healthcare workshops in the rural areas by tapping the doctors there. Such programmes offer mutual advantages to both the parties concerned. The doctors benefit through the increased footfall of prospective patients and companies benefit through the brand awareness and possibility of increased prescriptions.

For instance, Sorento Healthcare Communications has been associated with Piramal Health Care (PIL) for over the last two years for an Epilepsy outreach programme launched under the banner 'Reach More, Teach More'. With an 85 percent treatment gap in epilepsy management in India, PIL was keen to make the most of the opportunity by spreading its reach to towns beyond their current coverage.

Strepsils lozenges has chosen to build brand awareness in the villages through traditional means like billboards at bus stands, branding buses, hoardings, promotions at jatras and melas.

They have also done rural road shows in the interiors of Maharashtra in a traditional lawani set up. The objective was to generate sufficient word-of-mouth so that the brand remains on tip of the tongue when the consumers actually decide to make the purchase.

As far as Pinkoo Gripe Water, the flagship brand from the Ajanta Pharmaceutical stable, is concerned, the product was a rural product from the very beginning. The promotion too was rural oriented, ranging from stalls at fairs to showing slides in cinema halls. They also have vans that move across
regions. They also educate tertiary health workers, who work in smaller villages. They train and brief them so that they can try to promote the products. For Pinkoo Gripe Water, the entire promotion strategy is executed in local languages.

High fundas of metro marketing do not work in rural markets and companies should focus more on what the rural customer/consumer understands and what he likes. One of the strategies implemented by the company is by organizing a 'healthy baby' contest.

A good example of rural promotion of healthcare products is the Goli Ke Humjoli Campaign, which helped trigger the sales of a whole range of oral contraceptive brands. The entire market grew by a good 22 percent and created an excellent platform for low-priced contraceptives in India.

**The Speed Breakers**

Despite of 70% population staying in rural India, thought comes to mind then what was stopping the pharmaceutical companies from exploiting the full potential of rural markets? Many companies try to make sense of the rural opportunity, but they often give up due to lack of skill sets, expertise and experience to reach these unexplored territories. This is because most of the companies evaluate this opportunity in a knee-jerk manner and give up when it becomes logistically unmanageable.

Few examples of companies like P & G and Reckitt, with their OTC offerings try to reach the rural markets, more through their FMCG expertise and network. The biggest problem that marketers face today is the cost of reaching the rural consumer. Rural markets tend to be far more spread out in
contrast to the urban markets that are very concentrated and in compact geographies.

**Absence of Regional Brands**

As far as prescription products are concerned, there is always a trickledown effect with companies contacting the city-based specialists first, when promoting a new prescription product. After the product satisfies him, it is prescribed by the layer of General Practitioners (GP) under them. Slowly and steadily, this product then finds flavour with the GPs at the grass root level and that is how a product reaches the doctors in the class II cities and villages.

The pharmaceutical industry may be the only industry in India that cannot boast of rural or regional brands. The pharmaceutical industry is fraught with various social and regulatory issues, in addition to various business issues. This is because human life is at stake here.

With various norms in place for quality of the product, pricing, packaging and huge investments that are needed for pharmaceutical R & D and manufacturing, it is not possible for a small regional or a rural player to come up with a standardized product for the rural as well as urban markets. Also, in these areas, chemist is the biggest influencer and plays a significant role in the purchase process as he often recommends products to consumers.

Thus, it will always be an urban to rural flow and not other way round. However, it can so happen that regional players offer products in nutraceutical or ayurvedic segment to the consumers.
Yet, there will never be a situation, where a rural brand will present a threat to an MNC brand. Not sure of this situation in Rx business, but surely in the OTC business one sees many local brands doing very well. There are many examples in Kerala where one finds a good number of ayurvedic brands advertised on satellite local channel very well especially in the cough, cold and supplements areas.

**A Different Ball Game**

The typical Indian villager is a poor, superstitious and ignorant man. Most of the villages do not even have a health centre or a doctor. In these circumstances, the pharmaceutical companies have to play the dual role of an educator and provider. In addition, each village is different in its ethnicity, values and culture. Thus, the companies require adopting different strategies for different villagers. The companies would also have to price their products strategically keeping in mind the spending power of villagers.

All the effort and resources that go into rural marketing are appropriate as not only are rural markets big, but they also present untapped potential. The rural consumer is also highly brand loyal unlike the fickle urban consumers. The rural Indian consumer is a value conscious consumer. "For instance, if he buys Crocin and it works, he will swear by it. He will not accept anything else. In case he is used to a blue Crocin and a chemist gives him a white tablet, he will not accept it. Considering this, though it will be a mammoth task for companies to come across the right formula for success in rural areas, nonetheless, the effort and investment will not be useless as every penny spent will yield them loyal customers, who trust not just the efficacy of the brand, but also the company as a whole.
From the below information, it is quite evident that rural market is started gaining importance, apart from urban market, in terms of the rural market coverage by more pharmaceutical companies, pharmaceutical brand availability, launch of new molecules, etc.

**Fig. 9 and Graph 6: Extra Urban Markets**

The Pharmaceutical Industry has started to see gains from the Extra-urban markets and this will be a key driver of the next wave of growth for Pharmaceutical Companies.

![Graph showing value contribution and growth in extra-urban markets](image)

**Historically, urban was the prime focus**
- Top companies cover over 80% in urban markets
- New molecules/brands launched first in urban markets
- Doctor population more dominant in metros - therefore field force skew

**New opportunities in rural market opening**
- More than 50% of the chemists are in non-urban markets
- More than 2/3rd of the new brands launched reach rural markets
- Most new molecules reach rural markets in the first year of launch e.g. Citocholine
- Penetration important driver in lifecycle management of mature brands

**Source:** ORG-IMS Data

With low-cost manufacturing, high-quality research and manufacturing facilities and educated personnel, the Indian pharmaceutical industry presents both a competitive threat and partner opportunities with MNCs.
The days when the Indian pharmaceutical industry was synonymous with cheap generic drug production, are passing. While generics continue to play a major part in the industry's success, many companies have started down the long road of drug discovery and branded product development.

India is the world's fourth largest producer of pharmaceutical by volume, Accounting for around 8% of global production. In value terms, production accounts for around 1.5% of the world total. The Indian pharmaceutical industry directly employs around 500,000 people and is highly fragmented. While there are around 270 large R & D based pharmaceutical companies in India, including multinationals, government-owned and private companies, there are also around 5,600 smaller licensed generics manufacturers, although in reality only around 3,000 companies are involved in pharmaceutical production. Most small firms do not have their own production facilities, but operate using the spare capacity of other drug manufacturers.

The advent of pharmaceutical product patent recognition in January 2005 changed the ground rules for Indian companies. In the run up to the new post-patent era and since, the Indian industry has been evolving. R & D departments are moving away from reverse-engineering in favor of developing novel drug delivery systems and discovery research.

4.6 PROJECTED FUTURE GROWTH OF INDIAN PHARMACEUTICAL MARKET

Taking into account the factors stated above, the Indian Pharmaceutical Industry has poised to achieve still higher growth rate which has been depicted in the following graphic presentation.
Graph 7: Indian Pharmaceutical Market (IPM) indicates a growth of 13-15%

Job Opportunities
The pharmaceutical -sales field, often called "recession-proof," is popular because it offers excellent salary potential, great benefits, flexibility, and opportunity for growth. An aging population, the shift away from clinical treatment of illnesses in hospitals, and the fact that people seek a good quality of life as life expectancies continue to increase, these are some of the factors spurring the growth of the pharmaceutical sector. The pharmaceutical industry is among the largest, most stable, and fastest growing businesses in the entire world. The industry has grown 300 percent in the last decade, according to the Hay Group, a global organizational and human-resources consulting firm.
The pharmaceutical salesman’s job is also seen as somewhat prestigious. "A pharmaceutical sales representative sells a technologically advanced product to highly intelligent physicians in a very professional environment," writes pharmaceutical sales recruiter Pat Riley, summing up the field's appeal. Riley is author of several e-books on how to break into pharmaceutical sales.

Pharmaceutical employers frequently seek those with at least two years of sales experience, preferably business-to-business sales. Previous jobs that offered strong sales-training programs also are viewed favorably. A record of promotions can be a big plus. Of those with no sales experience, candidates with a healthcare or clinical background may have an edge. A strong record of accomplishments is also important.

Other traits mentioned by experts as helpful in landing a job in this field are being organized, goal-driven, creative, polished, persuasive, motivated, energetic, trustworthy, willing to learn, aggressive, smart, ethical, confident, ambitious, positive, self-starting, patient, persistent, a problem-solver, a team player who also performs well independently, a good time-manager and prioritize, and a great communicator. Additional desirable traits include good listening skills, integrity, negotiation skills, and presentation skills. It's generally OK to be money-motivated. You should have good physical stamina for the long hours and all the driving you will likely to do, as well as carrying hefty sample and promotional cases. You may be required to travel and relocate. For example Pfizer, which states on its sales careers page that the company seeks "college graduates, experienced salespeople, junior military officers and anyone else with the intellect, experience and stamina to take on the challenges of a fast-track career." The company further seeks those with "the technical knowledge and business competencies we're looking
for," as well as those who are creative self-starters with an interest in medicine or science, and strong interpersonal skills.

Networking is a huge advantage in getting into pharmaceutical sales because most firms advertise vacancies only when they are unable to fill them by word of mouth.

**4.7 PROFILE OF MUMBAI REGION**

The term Mumbai Region used in this study refers to area carved out by the pharmaceutical industry for its smooth marketing operations. The population of this region and its classification has been shown in the following table. This table also shows the demography of the area as well as its urban classification, literacy and sex ratio. This is a composition which relates to the generation of demand for pharmaceutical products in this area under study.

**Table 13 : Population of Mumbai Region**

<table>
<thead>
<tr>
<th>Name</th>
<th>Area (km²)</th>
<th>Population (2001 census)</th>
<th>% of State Population</th>
<th>Urban (%)</th>
<th>Literacy (%)</th>
<th>Sex Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mumbai City</td>
<td>67.7</td>
<td>33,26,837</td>
<td>3.44</td>
<td>100</td>
<td>86.4</td>
<td>777</td>
</tr>
<tr>
<td>Mumbai Suburban</td>
<td>369</td>
<td>85,87,000</td>
<td>8.88</td>
<td>100</td>
<td>86.9</td>
<td>822</td>
</tr>
<tr>
<td>Raigad</td>
<td>7,148</td>
<td>22,07,929</td>
<td>2.28</td>
<td>24.2</td>
<td>77</td>
<td>976</td>
</tr>
<tr>
<td>Thane</td>
<td>9,558</td>
<td>81,31,849</td>
<td>8.4</td>
<td>72.58</td>
<td>80.67</td>
<td>858</td>
</tr>
</tbody>
</table>

**Source:** Web site of Konkan division
Every company depending on its product range, marketing strategy, potential market study, location of its headquarters, etc. and its targeted goal defines the area of operation of its sales staff. However, pharmaceutical companies by and large have defined Mumbai Region consisting of Greater Mumbai and the surrounding districts which have been shown in the below detailed map.
Map of Mumbai District
For most of the pharmaceutical companies, this region forms geographically, Mumbai city and Mumbai suburbs, Thane district and Konkan region which has great marketing potential.

The Mumbai Region features are as under:

Mumbai Region as understood in the Pharmaceutical Marketing phraseology is quite a large area spread over area of Mumbai District area 437.71 km$^2$ (169 sq mi), Thana District 9,558 km$^2$ (3,690 sq mi), and Raigad area 7,148 km$^2$ (2,760 sq mi) thus the total area of the Mumbai region works out to 17,143.71 km$^2$.

There are around 300 pharmaceutical companies which are catering to the population of this area. Hence it was possible only to obtain data from the representatively selected top ten pharmaceutical companies, in Mumbai region, having major market share.

This region is more or less metropolitan area where all the means of communication are available. Speed is the essence of the movement of both people as well as goods. Literacy level of this area is quite high, compared to the environment of the interior parts of Maharashtra.