INDIAN PHARMACEUTICAL MARKETING STRATEGY

Chapter 1
Introduction

1.1 Overview of the study

Worldwide health is now considered the crucial indicator of a country’s progress. Almost 50% of the world population primarily in the developing and third world countries still lack constant access to the most needed medication. This is indicated to the poor performance by the pharmaceutical industry in these countries. However, India is so vast that the industry, which started of only in the early fifties, has been able to cater to the needs of the very large population if not all. The pharmaceutical industry, which has a considerable measure of health care, places it in a pivotal position in the socio-economic development of one of the developing countries—India. It serves a market where a social bias has to be reflected in its functioning.

The industry has been a subject of much criticism, arising often on emotional and political reasons, on account of high prices, excessive profits and foreign monopoly. An elaborate range of government controls regulates the functioning of the industry. Organisation of Pharmaceutical Producers of India (OPPI) was formed in 1965 to represent the industry to the environment.

From a large scale importer of finished goods in the pre-war period and a mere processing industry with the production value of RS.10 Crores at the time of the country’s independence, it has grown into the largest chemical based industry manufacturing basic drugs out of primary raw materials and intermediaries, with an output of finished products worth Rs.300 Crores.

The industry began its development in an organised manner only in 1948. Until then it represented a picture of individual enterprises, sporadic in origin and in various stages of their growth. Though the national government which came to power at that time started to give the industry a definite shape by including it within the larger framework of the country’s overall plan for industrialisation, as detailed in the first five year plan (1952-56).

It was only in the second plan that the industry was given the rightful place. Since then the industry had recorded a growth of around 8% till 1985.
The multinational companies started showing more interest in the market and that propelled the growth of the industry at a higher rate. The nineties witnessed the new patent regime, good climate for foreign investment, vast size of the market, implementation of liberalisation process and stiff global competition.

Production has grown without adjusting for inflation, at 18 percent per annum: from Rs.4, 600 Crore in 1991 to Rs.15, 000 Crore in 1998. Despite such a rapid growth and its scope in covering 15 per cent of the world’s population, the Indian pharmaceutical industry remains small, accounting for only 1 per cent of the global industry turnover.

This industry has a very large number of unorganised manufacturers and a small number of organised players. The Institute of Marketing Studies (IMS), the world’s largest provider of information solutions to the pharmaceutical and healthcare industries has analysed the organised sector and the analysis of the rank test for the last 10 years is indicated in the table 1.1. Analysis of this table indicates that some companies could not remain successful as was expected from them. Glaxo continued to be number one company during the last thirteen years. However, the success of Glaxo, is going down in spite of the merger with Burroughs Wellcome and Biddle Sawyer. The Indian Pharmaceutical Industry with over 20,000 registered pharmaceutical manufacturers today is in the front rank of India’s science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. Globally, the Indian Pharmaceutical Industry ranks 4th in volume terms and 13th in value. India is the 5th largest manufacturer of bulk drugs.

In terms of technology, quality and range of medicines manufactured, India ranks very high in the world. From simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of drug is now manufactured and marketed, in India.
Table 1.1: Rank test for the pharmaceutical companies from 1986 to 2004

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<tbody>
<tr>
<td>1</td>
<td>Glaxo</td>
<td>Glaxo</td>
<td>Glaxo</td>
<td>Glaxo</td>
<td>Glaxo</td>
<td>Glaxo</td>
<td>Glaxo</td>
</tr>
<tr>
<td>2</td>
<td>Sarabhai</td>
<td>Ranbaxy</td>
<td>Ranbaxy</td>
<td>Cipla</td>
<td>Cipla</td>
<td>Cipla</td>
<td>Ranbaxy</td>
</tr>
<tr>
<td>3</td>
<td>Pfizer</td>
<td>Cadila</td>
<td>Cipla</td>
<td>Ranbaxy</td>
<td>Ranbaxy</td>
<td>Ranbaxy</td>
<td>Cipla</td>
</tr>
<tr>
<td>4</td>
<td>Cadila</td>
<td>Cipla</td>
<td>Pfizer</td>
<td>Hoechst</td>
<td>Hoechst</td>
<td>Hoechst</td>
<td>Pfizer</td>
</tr>
<tr>
<td>5</td>
<td>Hoechst</td>
<td>Lupin</td>
<td>Cadila</td>
<td>Knoll</td>
<td>Torrent</td>
<td>Wockhardt</td>
<td>DRL</td>
</tr>
<tr>
<td>6</td>
<td>Ranbaxy</td>
<td>Alembic</td>
<td>Alembic</td>
<td>Pfizer</td>
<td>Lupin</td>
<td>Alembic</td>
<td>NPIL</td>
</tr>
<tr>
<td>7</td>
<td>Alembic</td>
<td>Pfizer</td>
<td>Boots</td>
<td>Alembic</td>
<td>Alembic</td>
<td>Torrent</td>
<td>Aventis</td>
</tr>
<tr>
<td>8</td>
<td>Boots</td>
<td>Hoechst</td>
<td>Lupin</td>
<td>Torrent</td>
<td>Knoll</td>
<td>Lupin</td>
<td>Sun</td>
</tr>
<tr>
<td>9</td>
<td>Burroughs</td>
<td>Boots</td>
<td>Hoechst</td>
<td>Lupin</td>
<td>Pfizer</td>
<td>Pfizer</td>
<td>HMR</td>
</tr>
<tr>
<td>10</td>
<td>Cipla</td>
<td>Sarabhai</td>
<td>Torrent</td>
<td>Cadila</td>
<td>Novartis</td>
<td>Knoll</td>
<td>Wockhardt</td>
</tr>
</tbody>
</table>

Source: secondary data

Glaxo has continued its run and the new entrants during 2004 are Aventis and Sun Pharma. They have come to this position from being an R & D company. Knoll, which was supposed to be a steady company, has gone down. In 1998, they showed a dismal performance by going down to number 10 position. The same holds to Pfizer. Alembic has more or less maintained its position during the last three years. Ranbaxy, which was doing exceedingly well, is slipping. There was a great expectation from Sun Pharma which unfortunately has not come up to the mark during the last three years of its operation. In this industry, it is not exactly the products or the company profile but the strategic decisions the companies have taken with respect to marketing with a firm commitment to quality, research and development, new drug delivery system and patents which plays a great role. This is the basis on which the researcher has undertaken an in-depth analysis into these strategic aspects related to marketing in this industry.
Some of the important trends in the industry are:

- Only 28 drugs remain under price control, a big reduction from the 74 drugs earlier.


- 95% of the drugs available in India and on WHO List of Essential Drugs will continue to be available at current prices, as the foreign patents have expired.

- The industry is well established and over 250 manufacturing units are recognized and certified by international agencies.

- Indian Pharmaceutical majors have stepped into M&A-activities overseas.

- The industry experiences market growth of 15% annually.

- Biotechnology can provide the next wave of technological change that can be as radical and even more pervasive than that brought about by IT.

- For a country like India, biotechnology is a powerful enabling technology that can revolutionise agriculture, healthcare, industrial processing and environmental sustainability.

- Biotechnology as a business segment, has the potential of generating revenues to the extent of US$ 5 billion.

- This sector alone can create one million jobs by 2015, through products and Services.

- Biopharmaceuticals alone has the potential to be a US$ 2 billion market opportunity, largely driven by vaccines and bio-generics.

- India has many comparative advantages, like its strong pool of scientists and engineers, vast institutional network and cost-effective manufacturing.

- India boasts of over a hundred National Research laboratories and more than 400 college level educational and training institutes across the country.
The new national biotech policy is being currently finalized and would give a concrete direction to the industry.

The Indian pharmaceutical industry has increased its R & D spent by about 500%, in the last four years. However, the total national spending on R&D is still below US$ 300 million. In addition to Reddy Laboratories and Ranbaxy, who were established leaders, even companies like Nicholas Piramal and Sun Pharma have established world class R&D facilities.

The Government of India has created a dedicated fund of Rs 150 crores called the Drug Development Promotion Fund, for R&D.

India has been continuously evolving its IP laws. The first Indian Patents and Designs Act was enacted in 1911. Several amendments to the Copyright Act, creation of a new Trademark Act, a new Designs Act and amendments to the Patent Act, shows India’s desire to change.

Some Indian companies are confident that they can cover the journey of molecule to market in about US$ 50 million to 100 million. This is truly remarkable given the fact that today international companies are spending between US$ 1 to 1.5 billion, for this.

A unique initiative has been taken by CSIR for private public partnership, in R&D for the pharma industry. It is called the “New Millennium Indian Technology Leadership Initiative” (NMITLI). It involves 65 private sector companies and 160 institutions and universities. It has already achieved brilliant success, in drug research.

According to the Boston Consulting Group (1999) the industry’s size and profile are dictated by five following constraints:

1. The lack of product patents has prevented most Indian companies from investing heavily in product research and developing new drugs.

2. The price ceiling on bulk and formulation drugs covered under the Drug Price Control Order (DPCO) has constrained margins on these products. With limited profits, domestic companies have shifted their emphasis to controlling
manufacturing costs and have barely invested in R&D.

3. Subsidies to the small scale sector such as exemption from the full scope of DPCO have encouraged many sub-scale players to proliferate, resulting in high market fragmentation. Many leading companies have contracted the manufacturing activities of drugs to these small scale units to take advantage of these subsidies.

4. Nearly 70% of the Indian population is believed to supplement, and even replace pharmaceutical drugs with traditional medicines.

5. The limited coverage of health insurance forces patients to bear a major proportion of health care costs and spending. This has forced the companies to focus on the physicians, hospitals and pharmacies.

The Indian pharmaceutical industry is highly regulated. The Government controls prices of a large number of bulk drugs and formulations. Profit margins of players vary widely in both domestic and export sales due to many factors. More than 85% of the formulations produced in the country are sold in the domestic market. India is largely self-sufficient in case of formulations. Some life saving, new generation under-patent formulations continue to be imported, especially by MNCs, which then market them in India. Overall, the size of the domestic formulations market is around Rs160bn and it is growing at 10% p.a.

Over 60% of India’s bulk drug production is exported. The balance is sold locally to other formulators. India’s pharmaceutical exports are to the tune of Rs.87 bn, of which formulations contribute nearly 55% and the rest 45% comes from bulk drugs. In financial year 2000, exports grew by 21%. India’s pharmaceuticals imports were to the tune of Rs.20.3bn in FY2001. Imports have registered a CAGR of only 2% in the past 5 years. Import of bulk drugs have slowed down in the recent years. The exports of Pharmaceuticals during the year 1997-98 were Rs. 49780 million. From this Rs. 46 Crores worth of Pharmaceuticals, Drugs and Fine Chemicals exports in 1980-81, pharmaceutical exports has risen to approximately Rs. 6152 Crores (Prov.1998-99), a rise of 11.91% against the last year exports. Amongst the total exports of India, the percentage share of Drugs, Pharmaceuticals and Fine Chemicals during April-October (2000-2001) was 4.1%, an increase of 7%. 
As per WTO, from the year 2005, India will grant product patent recognition to all new chemical entities (NCEs) i.e., bulk drugs developed then onwards. The Indian Government's decision to allow 100 percent foreign direct investment into the drugs and pharmaceutical industry is expected to aid the growth of contract research in the country. Indian pharmaceutical interests in making a mark on the global scene got a boost when Dr. Reddy's licensed two of its anti-diabetic molecules to Novo Nordisk and when Ranbaxy licensed its Novel Drug Delivery System (NDDS) of ciprofloxacin to Bayer. MNCs in India faced the problem of having a very high DPCO coverage, weakening their bottom lines as well as hindering their growth through the launch of new products. DPCO coverage is expected to be diluted further in the near future benefiting the MNCs. New legislation is also expected in the OTC segment increasing the number of brands in the Over the Counter (OTC) segment. The Indian pharmaceutical industry is also getting increasingly U.S. FDA compliant to harness the growth opportunities in areas of contract manufacturing and research. Indian companies such as Ranbaxy, Sun Pharma, and Dr. Reddy's are increasingly focusing on tapping the U.S. generic market, projected to be around usd 30 million by 2015.

1.2 Statement of the problem

Organization perspective the most prominent performance related issues like Increased competition and unethical practices adopted by some of the propaganda based companies, promoting the products in the way of unethical sales. New strategies like more discounts and offers for the products, gifts and other attractive schemes.

Low level customer knowledge (Doctors, retailers\& wholesalers). When the product promotion become unethical, there is no need of knowing the right customers. The number and the quality of MRs become very poor due to the above reasons and results poor promotions. Very high territory development costs. High training and re training costs of sales personnel. Busy Doctors giving less time for the sales calls results low volume of sales and failure to make good rapport with the customers. Poor knowledge of MR/customer/products etc. No pre and post call analysis and forecasting the sales and its huge deviation.
Absence of analysis on the amount of time invested on profitable and not so profitable customers and lack of time share planning towards developing customer base for future and untagged market.

Table 1.2: Selected Pharmaceutical companies annual turnover versus number of years established.

<table>
<thead>
<tr>
<th>Company Type</th>
<th>Annual Turnover</th>
<th>No of years established</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Less 50Cr.</td>
<td>51 - 100 Cr</td>
</tr>
<tr>
<td>Proprietary</td>
<td>6 (60%)</td>
<td>4 (40%)</td>
</tr>
<tr>
<td>Public Ltd</td>
<td>0 (18.9%)</td>
<td>7 (56.8%)</td>
</tr>
<tr>
<td>Private Ltd</td>
<td>2 (4.5%)</td>
<td>14 (31.8%)</td>
</tr>
<tr>
<td>Partnership</td>
<td>3 (3.6%)</td>
<td>17 (20.5%)</td>
</tr>
<tr>
<td>Total</td>
<td>11 (6.3%)</td>
<td>42 (21.4%)</td>
</tr>
</tbody>
</table>

Source: Survey data

The above Table (1.2) indicates the type of firms that have been selected for the study. There are four types of firms like (1) Proprietary (2) Public Limited (3) Private Limited (4) Partnership.

There are more than 10,000 pharmaceutical companies operating in India. A majority of these companies undertaken only region-wise and state-wise promotional activities. The number of pharmaceutical companies using ethical promotion in all India level will be less than 600. The primary database includes these selected good companies. For the purpose of this study, selected 174 good and ethical promotional companies undertaken at the all India level were chosen. They can be classified into 4 categories.
1. Proprietary - 24 Numbers - 13%
2. Public Ltd. - 45 Numbers - 26%
3. Private Limited - 45 Numbers - 26%
4. Partnership - 60 Numbers - 35%

Also the above types of firms have been segregated by analysing the total turnover and number of years established. The analysis of annual turnover is decided as follows:

1. Less than 50 crores
2. 51-100 crores
3. 101-200 crores
4. Above 200 crores.

The year of establishment is taken as

1. Less than 10 years
2. 10-20 years
3. Above 20 years.

The above table which clearly indicates the percentage wise data for each category. In proprietorship 60% of the firms are 10-20 years and 40% are in above 20 years category and annual turnover wise 60% are less than 50 crores and 40% are 51-100 crores. There are no firms in the category above 101 crores and less than 10 years.

In public limited firms the annual turnover of 18.9% are in the category of 51-100 crores, 56.8% are in 101-200 crores and 24.3% are in above 200 crores. There are no firms in the category of less than 50 crores. The number of years established in public limited firms 5.4% are less than 10 years, 27% are 10-20 years, 67.6% are in above 20 years category.
In the private limited firms the annual turnover of 4.5% are less than 50 crores, 31.8% are in 51-100 crores, 20.5% are in 101-200 crores, 43.2% are in above 200 crores. The number of years established in private limited firms 31.8% are less than 10 years, 25% are in 10-20 years, 43.2% are in above 20 years category.

In partnership firms the annual turnover of 3.6% are less than 50 crores, 20.5% are in 51-100 crore, 34.9% are in 101-200 crore, 41% are in above 200 crore. The number of years established in partnership firms 3.6% are less than 10 years, 38.6% are in 10-20 years, 57.8% are in above 20 years category.

Table 1.3: Analysis of Marketing operation and the competitive advantages

<table>
<thead>
<tr>
<th>Company type</th>
<th>Company marketing operation</th>
<th>Market is under your capability of operation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National</td>
<td>Internatio nal</td>
</tr>
<tr>
<td>Proprietary</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Public Ltd</td>
<td>31</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>83.8%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Private Limited</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>40.9%</td>
<td>59.1%</td>
</tr>
<tr>
<td>Partnership</td>
<td>50</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>60.2%</td>
<td>39.8%</td>
</tr>
<tr>
<td>Total</td>
<td>109</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>62.6%</td>
<td>37.4%</td>
</tr>
</tbody>
</table>

Source: Survey data

The above Table (1.3) indicates the percentage of national and international operations of each selected category firms. Also indicates the percentage of suitable market based on the customer preference.

Proprietorship holds 100% national promotion only in the market operation and the selected customer preference shows only 100% sometimes.

In Public Limited firms national promotion constitutes 83.8% and international promotion is 16.2% whereas the customer preference shows 62.2% in frequently and 37.8% in always.
In Private Limited firms national promotion constitutes 40.9% and international promotion is 59.1% whereas the customer preference shows 36.4% in sometimes, 6.8% in frequently and 56.8% in always.

In Partnership firms national promotion constitutes 60.2% and international promotion is 39.8% whereas the customer preference shows 83.1% in sometimes, 9.6% in frequently and 7.2% in always.

1.3 Scope of the study:

The marketing of medication has a long history. The sale of miracle cures, many with little real potency, has always been common. Marketing of legitimate non-prescription medications, such as pain relievers or allergy medicine, has also long been practiced, although, until recently, mass marketing of prescription medications has been rare. It was long believed that since doctors made the selection of drugs, mass marketing was a waste of resources; specific ads targeting the medical profession were thought to be cheaper and just as effective.

Marketing to health care providers takes four main forms: gifting, activity by pharmaceutical sales representatives, provision of drug samples, and sponsoring continuing medical education (CME). Of the 237,000 medical sites representing 680,000 physicians surveyed in SK&A’s 2010 Physician Access survey, half said they prefer or require an appointment to see a rep (up from 38.5% preferring or requiring an appointment in 2008), while 23% won’t see reps at all, according to the survey data.

The domestic pharmaceutical market will be largely driven by the increasing prevalence of chronic segment. The domestic industry is principally being driven by the chronic segment which has grown by 17.8% this year. Against the backdrop uptake of acute segments has been slow and has grown by 10.1% only. The basis of success in any competitive context can be, at the most, elemental level commercial success; and commercial success can be derived either from a cost advantage or a value advantage or ideally from a combination of both. In other words, the organization with Competitive Advantage tends to be the cost leader in the industry or a seller of most differentiated products amongst all the players.
And therefore this study is highly relevant for the firms which formulate strategies to attract customers and to know what extent they can face competition.

1.4 Objectives of the study:

1. To examine the nature of marketing plan designed by the company

2. To identify the factors influence the sales in the pharmaceutical industry.

3. To analyze the different pricing strategy adopted by the pharmaceutical firms.

4. To evaluate the future development of pharmaceutical industry as per the opinion of the top executives of selected firms.

1.5 Hypotheses framed for the study:

1. There is no significant variation in the market services of pharmaceutical company according to the type of company and their area of market operation.

2. There is no variation in the different decision taken by the pharmaceutical firms during the declining period of market.

3. There is no variation among the factors affecting the price determination of the products of pharmaceutical company.

4. There is no difference in the customer behaviour of the different types of pharmaceutical companies.

1.6 Research methodology, Universe of the study, Sampling methodology, Data Collection procedure:

This study is a descriptive and analytical one. The population for the study in the total number of pharmaceutical firms operating in our country. After reliability analysis and based on mean preference of the managers with pilot study, sample size in determined statistically by fixing an error of 1.96 and sample size in fixed at 174.

These sample pharmaceutical companies are selected at random from the list of companies in the website. Both primary and secondary data were used for this study.
The secondary data were collected from websites, extensive survey on literature published sources like printed books, journals, research thesis and dissertations.

The primary data were collected from the top managers of selected companies with a pre-structured questionnaire.

1.7 Data Analysis

The data so collected was analyzed using various statistical tools two way interaction model ANNOVA, MANNOVA and Friedman Test.

1.8 Chapterisation:

Chapter 1: Introduction:

This Chapter will give an outlook on the problem statement & research scope & objectives, a description of background developments in strategic managements and the significance and the limitations of the study.

Chapter 2: The Indian Pharmaceutical industry Growth and Related Issues

This chapter deals with the growth and issues related to Indian pharmaceutical industry

Chapter 3: Literature Review:

Published literatures study reports, extensively review studies from various journals connected to the topics.

Chapter 4: Analysis from the Respondents:

Discussion data about obtained for Product Strategy and product development from the Indian pharmaceutical firms.

Chapter 5: Analysis from the Respondents:

Discussion about data obtained for Marketing Strategy & Distribution Channel from the Indian pharmaceutical firms.

Chapter 6: Analysis from the Respondents:
Includes an extensive analysis based on the data collected from executive working at different levels in the strategic management.

Chapter 7: Findings and Recommendations

1.9 Limitations of the study:

1. The marketing strategies of companies varies and generalization of the same to the overall industry are however for an exploratory and descriptive research design, the methodology can be claimed to be appropriate.

2. It was difficult to collect the data from all the sample proposed however the data collected adhere to the requirements of research.

3. The organizations are chosen for the study are the top companies and having promotion in all India level. Hence there was considerable time taken for the collection of data.

4. Data collections were taken from the top executives in the higher level by direct interviews and through emails. However given the extensive nature of the investigation in each organization and the number of respondents queried, it is unlikely that any significant distortion has resulted without assuming systematic conspiracy.
References:


8. Pharmaceuticals: The Indian Pharmaceutical Industry, Feb 2005, ICRA
