CHAPTER III

AN ASSESSMENT OF THE MARKET ORIENTATION OF THE PHARMACEUTICAL COMPANIES

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AN ASSESSMENT OF THE MARKET ORIENTATION OF THE PHARMACEUTICAL COMPANIES

3.1 Introduction

Before 1991, when Indian companies operated in a protective environment, they did not pay much attention to the 'marketing concept'. However, since 1991, after India adopted liberalization and globalization measures, Indian companies are forced to adopt marketing as the core philosophy driving their business. A growing volume of literature suggests that to create market share, pharmaceutical organizations will have to look at marketing as a basic philosophy and all functions have to be integrated with marketing. On the other hand there are also many studies which point out that consumer goods style of marketing cannot be applied to pharma products and the impact of new drugs on the overall health of society lead to rather specific ethical concerns, related to marketing.

The present chapter evaluates the need for a market orientation in the face of growing competition in the pharmaceutical industry coupled with ethical considerations in promotion which will strengthen the marketing strategy of every organization. The chapter then traces the extent of market orientation among the selected Goan pharmaceutical companies and highlights the ethical concerns in the Goan context.

3.2 The Importance of Market Orientation

Today all the pharmaceutical marketing organizations are functioning in a highly dynamic environment and many are finding it very difficult to stay in the face of the ever growing competition. While many organizations have been overtaken by the changes in the market
place, some have fared better by adapting themselves to the market changes, by transforming and establishing themselves as market intelligent enterprises using relationship marketing practices and business intelligence.

According to Jayakrishna (2006: 40), with increasing competition in branded generics, intensifying cost containment pressures, shorter product-life cycles, growing regulatory environments and increasing demands from professionals and patients, the pharmaceutical industry has entered an era riddled with challenges tougher than ever before. He states that even the most advanced pharmaceutical product cannot succeed without an equally advanced marketing strategy in place due to the new definitions of customer interaction via the internet and the complex management of research and demand chain partners. In fact, marketing has become a critical engine of innovation for sustenance.

Ever since India opted for a free market economy, Indian firms are forced to adopt ‘Marketing Concept’ as the core philosophy driving the business. Many firms both in public and private sectors have set to cultivate a mindset in accordance with the tenets of the marketing concept.

The Indian pharmaceutical market can be characterized by the presence of a large number of brands within the same molecule with little product differentiation. For this market, distinctive sales and marketing capabilities are very important. (Smarta 1994). Marketing capabilities mainly include brand building and lifecycle management of brands and proper targeting and selection of doctors. Sales capabilities mainly include sales force deployment in line with market potential and robust sales processes and performance management. Smarta further notes that, since large companies will not be able to cover all therapeutic categories in
all parts of India, profitable market opportunities will continue to exist for smaller ‘more market focused’ companies. On the other hand it is also pointed out that changes in the marketing environment will place increased competitive pressures on manufacturers and they will have to respond to these pressures if product profitability is to be maintained. Shorter product life cycles are more prevalent because innovations are quickly copied and improved upon and the competition for available innovative and marketing talent is greater. Under the TRIP’s regime, in India, units that are producing the generic drugs should not get affected because these drugs are not patent protected. But the small and medium units face competition from large producers who compete on larger volume and lower cost of production. Evidence from Jordan indicates that post TRIP’s the local industry had to suffer in terms of investment and production and a number of small local firms had to close their operations except those firms who restructured on the basis of the ‘marketing concept’ (Correa 2000)

The pharmaceutical marketing environment in India can provide a lot of opportunities for those firms who are market-oriented and who take leads from the market. India carries a mixed disease burden; age-old infectious diseases, re-emergence of disease like T.B. and malaria, dreaded disease like cancer as also lifestyle diseases like cardiovascular, diabetes and depression. The changing disease profile calls for more advanced and innovative therapies.

Focus on preventive aspects such as vaccination, immunization and shifting disease patterns will create new opportunities and drive robust growth of pharmaceutical companies. However intense competition and fragmentation of the industry has negatively impacted the overall value growth of the domestic pharmaceutical market. In this scenario to grow in the
domestic market, local pharmaceutical companies have to effectively manage their product life cycles and enlarge their market reach.

3.3 Globalization, Trade Related Intellectual Property Rights (TRIPS) and the need for Market Orientation of Indian Pharmaceutical Companies

The Indian Pharmaceutical Market witnessed a paradigm shift on January 1st 2005, when the country fell in line with the World Trade Organization’s TRIPS agreement when the Parliament passed the Patents Amendment Bill, 2005. Prior to this period, the growth of the pharmaceutical industry in India was governed by the Patents Act of 1970, under which only one process that was used in the actual manufacturing could be patented. The act did not recognize product patents and enabled local companies to build their business largely on the manufacture and sale of drugs discovered by other firms. To avoid patent litigation, many companies developed new production methods to avoid infringing process patents. The act legalized ‘reverse engineering’ of drugs that are patentable as products throughout the industrialized world but unprotected in India. Reverse engineering is a method of evaluation of a product in order to understand its functional aspects and underlying ideas. Well equipped with technological expertise, Indian Scientists seized the opportunity to do reverse engineering on drugs discovered elsewhere and launched them on domestic market as well exporting them to other countries. With the new TRIPS regime this advantage will not be available for Indian firms and many question the impact TRIPS will have on the competitiveness of Indian firms.

Trade Related Aspects of Intellectual Property Rights (TRIPS) are aimed at universalizing the standards of Intellectual Property Rights and frame the rules of the game of the developing countries on par with the developed countries. Several factors like the continuous advancement in Science, new breakthroughs in bio-technology, the growing participation of
the private sector in the cost intensive research and development in the knowledge based pharmaceutical sector and the relative strength demonstrated by the developing nations in adapting the results of the scientific innovations to the local environment have prompted the industrialized nations to seek stronger protection for their innovations in all the countries. As per the minimum standards mentioned in the TRIPS agreement, patent shall be granted for any inventions, whether products or processes, in all fields of technology provided they are new and capable of industrial application.

Accordingly, now patents will have to be granted in all areas including pharmaceuticals and the effective period of protection is for twenty years from the date of filing the application. With the implementation of TRIPS agreement by most of the developing countries, a stronger patent regime or product patents will be uniformly applicable on the pharmaceutical innovations among the member countries of the World Trade Organization. The universal TRIPS regime is expected to result in free flow of trade, investment and technical know-how among the member countries by resolving the barriers that exists in the form of differences in the standards of intellectual property.

The following are the major implications of a TRIPS compliant patent regime on Indian companies;

A. PRODUCT PATENTS AND RESEARCH AND DEVELOPMENT

The purpose of the patent is to provide a form of protection for the innovator and enable him to market successfully his invention. One of the impact of the universal patent regime is that private venture capital firms become willing to invest in technology based start up companies and local firms become willing to devote substantial resources to internal research .(Sherwood 1993). The higher cost of the R & D proves to be an effective entry barrier for
new firms and hence only firms with large flow of funds become responsible for industrial inventive activity (Grabowski 1968). Though small firms also are capable of innovations, for successful commercialization and marketing of the innovation, size of the firms matters (Lalitha 2002). Estimates also indicate that of 100 drugs that enter the clinical testing phase, about 70 complete phase 1, 33 complete phase II and 25 clear phase III. Only two thirds of the drugs that enter phase III are ultimately marketed. This suggests that attritions rates are especially severe in earlier research stages. (Gambardella 1995). In view of these challenges there is a trend towards internationalization of R & D as the multinationals review their core competencies. This is resulting in vertical disintegration of R & D, product development and clinical trials, manufacturing and marketing activities. Recent research done in this area suggest that stronger levels of IPR in a country, availability of human resources, host country’s policy on foreign direct investment, and market size play an important role in the decision to locate the R & D activities by MNE’s in other countries. (Kumar, 1996 and 2001). This implies that the TRIPS regime in India would be favorable to attract R & D investment by MNC’s.

However rising R & D costs imply that only giant corporations with formidable marketing and financial capabilities will be able to afford extensive new drug development and marketing. In view of this merger of firms in order to pool R & D resources is identified as a possible solution. (Lalitha 2001). In Japan, for e.g. mergers and amalgamations are taking place to pool the resources which also reduce duplication of research.

In view of the R & D challenge, the marketing practices of Indian companies should centre around the following factors;-
i) It is observed that most of the research efforts of MNC's are aimed at disease patterns prevalent in the west. Anticancer research and cardiovascular diseases have been the main focus of research of the pharmaceutical firms of the west. In contrast, pneumononia, diarrhoea, and tuberculosis that account for 18% of the global disease burden are subject to less than 0.2% of global medical research and third world diseases such as malaria, tetanus and lymphatic filariasis have not attracted the developed countries attention. (Lalitha 2001). This suggests that the gap could be filled by firms in developing nations. Indian firms by allocating a greater portion of their R & D budgets to the third world health needs could aim at benefiting from the patents regime in this area.

ii) It is suggested that the companies with inventing ability should keep themselves updated of the developments taking place elsewhere and try to make their inventions distinct from others. This highlights the important role that will be played by information technology.

iii) In view of the importance of the R & D in knowledge based industry like pharmaceuticals, there needs to be a close relationship between the industry and the academic institutes. One of the reasons for the western world's dominance in R & D is due to the strong research collaborations that exist between the universities and the industry. In India also such strong association between the academic institutes and industry needs to be established. Academic institutes can serve the role of research boutiques where basic research or further research based on knowledge that is available in the public sources may be undertaken and industry can proceed with further development and commercialization of the compound identified by the academic institute. Gamberdalla (1995) observes that University research had a positive and significant effect on corporate patents and industry R
& D. The contribution of University research is greater if the industry and University scientists can interact more easily.

B) TRIPS IMPACT ON SMALLER PHARMACEUTICAL COMPANIES

The smaller firms are expected to benefit from the pharmaceutical outsourcing that is increasing world over and it is expected that contract research and contract manufacturing would prevent the closure of small firms in the TRIPS regime. MNC’s as they review their core competencies are found to be engaging in vertical disintegration of activities. Domestic small units with state of art facilities, infrastructure and manpower that matches the product profile of the MNC’s would derive the maximum benefit.

In order to increase the global prospects of the pharmaceutical industry in the post 2005 period, the Central Government had fixed the deadline of Dec. 2003 to comply with the Good Manufacturing Practices set by WHO. This means increasing expenditures that could range from Rs. 15 lakhs to 1 cr. per unit. To provide support to the strategies of the small firms, it is recommended that the government provide the financial assistance package for the small sector to increase their infrastructural standards (Lalitha 2002)

It is also noted that it takes around 10-15 years for a new drug to be granted registration by drug authorities of any country after which the marketing permission is given. This registration period comes out of the overall patent life of the medicines which is now almost universally 20 years from the date of application. A discoverer thus enjoys at best only 5-10 years of exclusive marketing for recovering the cost of research. Once patent life ends other manufacturers are free to market 'generic versions of the same products. Worldwide, generic
markets are growing at a rate faster than that of patented products. (OPPI 2000). Small and mid-size Indian companies should devise strategies to dominate over this generic market.

C) TRIPS IMPACT ON PUBLIC SECTOR DRUG COMPANIES

With the reduced role of the state under globalization the public sector drug companies such as Indian Drugs and Pharmaceuticals Ltd., Hindustan Antibiotics Ltd. and Bengal Chemicals and Pharmaceuticals Ltd. are faced with serious problems. The lack of competitiveness of these units stem from financial constraints, faulty management and lack of technological expertise. The right strategies for the commercial success of these units would be to increase foreign direct investment and technology transfer to these units.

D) IMPACT ON CORPORATE STRATEGIES

The TRIPS regime has led Indian pharmaceutical firms to embark on several survival and growth strategies such as -

i) Mergers and acquisitions both within India and overseas.

ii) Seeking new markets for their products particularly in the newly emerging economies.

iii) R & D of new chemical entities.

iv) Establishing themselves as specialty pharmaceutical companies

v) Working as third party manufacturers and suppliers.

vi) Attracting foreign investments in technology and research.

vii) Seeking foreign collaborations in marketing the products.

The ability to compete in world markets with competitive marketing practices is the need of the hour for the pharmaceutical sector to have long run growth. On the basis of the above review relating to the changing dynamics of the pharmaceutical industry, the research aims to
find out the response of the pharmaceutical companies in Goa and their preparedness to face the new challenges.

3.4 Antecedents and Consequences of Market Orientation.

Jaworski and Kohli (1990) used the term market orientation to mean the implementation of the marketing concept. They define market orientation as composed of 3 sets of activities.

1) The organization wide generation of market intelligence, pertaining to current and future needs.

2) Dissemination of the intelligence across departments.

3) Organization wide responsiveness to it.

Market intelligence is a broader concept than just customer's needs and includes an analysis of exogenous factors (such as Government regulation, technology, competitors and other environmental forces) that influence those needs and preferences. Intelligence may be generated through a variety of formal as well as informal means and may involve primary data or consulting secondary resources. The mechanisms include meeting and discussion with customers and trade partners (e.g. distributors), analysis of sales report and formal market research.

Figure 3.1 will serve as a guide in understanding the antecedents and consequences of a market orientation based on literature (Jaworski and Kohli 1990, Narver and Slater 1990, Shapiro 1988)
Figure 3.1 Antecedents and Consequences of Market Orientation

TOP MANAGEMENT
- Emphasis
- Risk Aversion

INTERDEPARTMENTAL DYNAMICS
- Conflict
- Connectedness

ORGANIZATIONAL SYSTEMS
- Formalization
- Centralization
- Departmentalization
- Reward Systems

MARKET ORIENTATION
- Intelligence Generation
- Intelligence Dissemination
- Responsiveness

EMPLOYEES
- Organizational Commitment
- Esprit de Corps

ENVIRONMENT
- Market Turbulence
- Competitive Intensity
- Technological Turbulence

BUSINESS PERFORMANCE
The 1st set of antecedents pertains to top management in an organization. Several authors suggest that top managers play a critical role in shaping an organization's values and orientation. (Levitt 1969; Jaworski & Kohli 1999)

The central theme in these writings is that unless an organization gets clear signals from top managers about the importance of being responsive to the market needs, the organization is not likely to be market oriented. Top management reinforcements of the importance of a market orientation is likely to encourage individuals in the organization to track changing markets, share market intelligence with others in the organization and be responsive to the market needs. A second antecedent of market orientation relates to top managers' risk posture. Kohli and Jaworski (1990) argue that if top management demonstrates a willingness to take risks and to accept occasional failures as being natural, junior managers are more likely to propose and introduce new offerings in response to changes in customer’s needs. By contrast, if top management is risk averse and intolerant of failures, subordinates are less likely to focus on generating or disseminating market intelligence or responding to changes in customer needs.

Market orientation is also affected by interdepartmental dynamics. Interdepartmental conflict is likely to inhibit communication across departments, while interdepartmental connectedness facilities interaction and exchange of information as well as the actual utilization of the information. (Kohli & Jaworski 1990).

The 3rd set of antecedents that affect a market orientation pertains to organizational structure and systems. Narver and Slater (1990), draw on numerous studies to argue that
organizational dimensions such as formalization and centralization are inversely related to market intelligence generation, dissemination and response design.

Kohli and Jaworski (1999), however, point out that if properly designed rules may facilitate rather than hinder a market orientation. Literature on the subject of market orientation also suggests that the key to developing a market-driven, customer-oriented business lies in how managers are evaluated and rewarded. It is observed that if managers primarily are evaluated on the basis of short-term profitability and sales they are likely to focus on these criteria and neglect market factors such as customer satisfaction that assure the long term health of an organization.

Regarding the consequences of a market orientation, studies by Narver and Slater (1990) and Kohli & Jaworksi (1999), offer empirical support for a positive relationship between market orientation and business performance. A market orientation is argued to lead to a sense of pride in belonging to an organization in which all departments and individuals work towards the common goal of satisfying customers.

Kohli and Jaworski’s research concludes that the market orientation of a business is an important determinant of its performance, regardless of the competitive intensity or technological turbulence.

3.5 The Ethical Dimension:

When quality of life depends on the health of an individual, the role of medicines cannot be understated. This unfortunately is tinged with the fact that the demand for medicines in large volumes in India also offers a ready market for fake and spurious drug producers. According
to Chakraborty and Saha (2006), people are vulnerable to spurious medicines and also the dictates of the manufacturer and the marketer. According to a WHO report, India contributes 40% of fake drugs worth Rs. 4000 crore in the world market.

Rane (EPW. Vol. 31, Nos 48, 1996) is of the view that the market forces logic is less applicable to the pharmaceutical sector than other sectors. Unlike consumer goods, drugs are not purchased by the consumer on the basis of his choice or preference; they are purchased / consumed on the advice of the medical profession. The drug companies have built a market for their drugs through their extensive marketing network. The consumers have little or no choice in such a ‘rigged’ market and are forced to buy anything and everything that doctors are induced to prescribe by the ‘friendly neighborhood “Medical Representative”. In this context a WHO report says “There is an inherent conflict of interest between the legitimate business goals of manufacturers and the social, medical and economic needs of the providers and the public to select and use drugs in the most rational way. (WHO, 1983).

According to Srinivasan (EPW Vol.34, no 9. Feb 1999), there are a variety of ways in which substandard, sub-therapeutic and spurious drugs get promoted in the market such as

1) By ignoring basic manufacturing requirements

2) By making drugs at the lower end of the tolerance limit allowed. e.g. 500 mg paracetamol tablet would be passed in quality control if it has the active ingredient between 450-550 mg (+10 percent). During its shelf life the 450 mg tablets potency may decrease and may not act as desired.

3) By inappropriate packing e.g. water-absorbing drugs like aspirin should be protected from high humidity during manufacture and storage

4) By claiming undue benefits for a product
5) By trying to bribe drug authority and other officials and succeeding in evading compliance of desirable manufacturing practices.

6) Trying to induce doctor's to prescribe one's own products, by influencing medical college departments for favourable research reports etc.

A report by the National Committee on Science and Technology also revealed that there exists a large gap between our drug needs and drug availability. It reported that out of the total production, 35% is taken up by vitamins, tonics, health restoratives and enzyme digestants which in the words of the Committee are mostly consumed by the relatively well-fed urban population. This skewed pattern of drug production pointed out an ICSSR report of 1981 is in keeping with our iniquitous social structure which stresses or promotes the production of luxury goods for the rich at the cost of the basic needs of the poor.

In a situation where there is no source of regular unbiased authentic information on drugs available in the country, medical practitioners depend solely on the representatives of the drug companies for information about new drugs. In the words of Smarta (1994), the pharmaceutical companies are designing grand schemes to market their brands which are no less intricate than a spider's web. This enticing web is designed to capture the prey—the unwitting physician. This web includes entertainments and gifts, free subsidies to medical journals, grants for applied research, sponsorships, holidays, monetary inducements etc.

These methods may be adopted by pharmaceutical marketing companies when they are unable to face competition. However these methods will yield short-term benefits, but could in the long run spell disaster for a professional company. The biggest change in the
pharmaceutical marketing scenario will be when more and more companies realize that putting society before profits does pay in the long term.

From the above it is inferred that given the vital need for pharma companies to be market oriented in the competitive environment, it is also essential not to neglect the social and ethical responsibility for the healthy and long-run growth of the industry.

Drawing on this background, the present study aims to conduct an in-depth study of the selected pharmaceutical firms so as to understand the process of initiation and implementation of change efforts directed at improving the market orientation. Pharmaceutical marketing success is dependent on understanding the dynamics of this changing market where continual changes have transformed physicians, patients and therapies.

3.6 Extent of Market Orientation of the Pharmaceutical Units in Goa- Individual Firm-Level Analysis

1. Geno Pharmaceuticals Ltd.

Geno has its presence in the antibiotic, anti-inflammatory, vitamins and minerals, gastrointestinal, cough and cold, anti-asthmatics and anti-vertigo segments. It exports its products to Ghana, Kenya, Srilanka and Myanmar. It has a total domestic market share of around 0.5%. Its average annual marketing expenditure is Rs.13.67 crore i.e. (23%) of total expenditure.

It periodically evaluates its strengths and weaknesses in relation to competitors and estimates its market potential based on market research. It pursues opportunities in the international market and considers diversification into different therapeutic segments as a better market
strategy. Geno considers marketing related factors as the most important determinants of the firm's success. Expanding market share and creating niches are the main objectives of the company's current marketing strategy.

Geno evaluates customer's preferences for products based on survey of doctor's opinion. Estimates of market potential are based on periodic sales forecasts, trends in past sales, and by evaluation of market data bases that are maintained by the company. The marketing department conducts survey of sales of products by competitors by periodic retail chemists' prescription audits within its target area. Information is also gathered about prescription behavior and habits of the doctors in its target area. Survey of doctor's opinion is periodically undertaken to evaluate market needs. Information on competitors is also gathered from ORG (Operations Research Group).

With core products of the company in the growth and maturity stages, the company is pursuing diversification opportunities into new therapeutic segments, as also opportunities of contract manufacturing, and export growth.

2. Wallace Pharmaceuticals Private Ltd.

Wallace has its products registered in Tanzania, Sri Lanka, Kenya and Guyana. It estimates its average annual marketing expenditure to be Rs. 30.65 crores (30% of total expenditure). The company's strategic plan is formulated for a period of 5 years and the R&D, Finance and Production departments are involved in strategic plan formulation.

It bases its market strategy on extensive market research. The focus of its market segmentation is by therapeutic benefits. It practices concentrated marketing at the chosen
segment and differentiated marketing using brand names. Brand building, generating strong prescription support and creating niches are the main objectives of its current marketing strategy.

Wallace maintains databases on physicians, prescribing habits and other sales statistics. It also maintains data on health conditions and other health characteristics of the population in its target area. The marketing department collects and generates information for suggesting new product improvement and product deletion and maintains cumulative and progressive data on monthly, quarterly and annual basis both of products and regions.

Setting up dedicated export division, obtaining plant certification and approval and product documentation are the company’s main plans to boost exports. It does not consider size as a constraint in marketing and sees the pharmaceutical market as full of opportunities. It plans to avail of opportunities in generics in the world market through reverse engineering and synthesizing bulk drugs going off patents. The management reveals its plan for forging alliances with MNCs for co-marketing in domestic markets.

3. Kare Labs Pvt. Ltd.

The company exports its products to Nepal, Sri Lanka, Malaysia, Honduras, Phillipines and Vietnam. The company estimates its market potential by periodic sales forecasts and by maintaining market databases. The company considers its main weaknesses in terms of marketing to be less capital for R & D and competitive advantage of MNCs. The main focus of its market segmentation is geographical and by therapeutic benefits. While it feels that the bigger companies have an advantage in marketing, it states that with strategic marketing plans, the size constraints can be over come. The company’s policy is to combine a good
quality product with effectiveness of Medical Representatives to build the company's image as an ethical and responsible organization. It evaluates customers preferences based on survey of doctor's opinion and on frequency of orders. The company's long term marketing plan has a time horizon of 10 years. The company plans to specialize in country specific product requirements to expand its domestic market share.

Inter-departmental meetings take place once a quarter, to assess the firm's particular strength and weaknesses. The marketing department at Kare's gathers information relating to competitors' products by conducting surveys of retail chemists operating within its target market. The firm also collects information about the prescription habits of doctors in its product groups. Questionnaires are periodically administered to doctors to gauge their opinion on patients, and therapies and to obtain feedback on products.

Kare ranks low cost manufacturing, and delivery services, marketing efficiencies, organization and managerial capabilities and information systems, investments in R & D capabilities and strategic locations in the given order of importance as the important factors that will determine its future success.

4. Cosme Farma Laboratories Ltd.

The company has a presence in several therapeutic segments such as antibiotics, vitamins and minerals, gynaecologicals, dermatologicals etc. The company exports its products to Mauritius, Kenya, Sri Lanka and Jamaica. It spends over Rs. 15 crore on marketing annually (annual expenditure averages 23% of total expenditure). It is basically a market driven organization and diversification into different segments is the market strategy to expand its market share that the company has adopted. The company believes that with strategic
marketing plans, the size constraint can be overcome. The company has responded to the TRIPs regime by aggressive personal selling, by innovational promotional measures, and strengthening capabilities of the field force. The specific marketing strategies the company has pursued are diversifying into new therapeutic segments, increased focus on existing specialty areas and wider coverage. The company plans to boost exports by entering into niche product categories and by trying to acquire overseas regulatory accreditation for its own manufacturing facilities.

Cosme Farma has entered into strategic partnership with 8 MNCs. Some of its technological collaborations are with Lundback of Denmark, Astra of Sweden, Sanofi Synthelab of France and Sankyo of Germany. It has plans to set up its new export oriented manufacturing unit with a total investment of Rs. 70 crore.

Interdepartmental meetings to discuss market trends and company prospects see the active participation of finance, personnel and production departments. Market potential is estimated by conducting periodic sales forecast, by evaluating trends in past sales and by updating market based data. The company establishes its specific marketing goals by assessing the environment problems and opportunities and the firm’s particular strengths and weaknesses. Retail chemist prescription audits and surveys on doctor’s prescription habits and behaviour are conducted as part of its market research programme. It attributes its success to strategically positioned business units.

5. Toyo Laboratories Pvt. Ltd.
Toyo's marketing expenditure, on an average over the last six years is 30% of the total expenditure. The firm assesses it particular strengths and weaknesses while establishing specific marketing goals. It estimates its market potential based on periodic sales forecasts, by relying on past sales and by maintaining market databases. Information is collected on patients, physicians and retailers in target markets.

The firm feels it has a competitive strength in quality infrastructure and marketing. However less capital for R & D and inadequate access to foreign markets are its major weakness in terms of marketing. While the company's marketing activities are confined within the country, it is looking to expanding its market share in the states of Maharashtra, Karnataka and Kerala. The company feels that with a focused market approach, it can exploit the growing sales potential in its chosen segments. Expanding Market Share is the main objective of the company's current marketing strategy and concentrated marketing at the chosen Segment, and differentiated marketing using brand names are the current strategic marketing options selected by the company. The company believes in involving its MRs in strategic market planning. Toyo has no immediate plans for exports.

6. Merit Pharmaceuticals Pvt. Ltd.

With total average annual marketing expenditure of 25% of total sales, Merit Pharma has a total domestic market share of around 0.001 per cent. The company focuses on assessing the environmental problems and opportunities and its own strengths and weaknesses while setting its goals. Its main target markets are the rural markets of Goa, Kerala, Maharashtra and Karnataka.
Merit does not conduct formal surveys about prescription behaviour and prescription habits of doctors, but collects such information in an informal way from chemists. Information is also, collected from wholesalers about sale of products that directly compete with its own products.

Merit feels its size and resources do not allow it to engage in growth plans as rate of return is not adequate enough for the smaller firms. It aims, however, to pursue opportunities in herbal and ayurvedic medicines in future. Merit also has plans to outsource production to a WHO compliant company and produce under loan license for reputable companies. It is in the process of investing in upgradation of facilities to obtain GMP certification.

Innovative packaging and better promotional measures are the essential highlights of the company’s marketing policies. With the creative ideas of its founder director, Shri. Arun Naik, the company came up with promotional tactics such as colorful packaging for pediatrics and tasty ice-creams flavour for its medicines for children. According to Shri. Naik, successful marketing is 10% ideas and 90% implementation. However he feels smaller companies are handicapped due to lack of resources to implement the ideas and adds that marketing tie-ups with other Indian firms is the strategic option planned for the future. Lack of information of export market and shortage of working capital are looked upon as the major factors inhibiting the company’s foray into exports.

7. Goa Antibiotics & Pharmaceuticals Ltd.

GAPL is a public sector enterprise, engaged in manufacturing of pharmaceutical formulations. It caters to the institutional market all over India, through distributors and different depots. Currently GAPL has stopped selling through marketing representatives. The
unit is not able to stand in private market because the products do not command doctor's attention. Frequent management changes, administrative hurdles and bureaucratic interference are considered factors adversely affecting the company's market performance.

3.6.1 Major Findings

The market profile of individual companies suggest that by and large they are market-driven, flexible organizations and diagnosing the market forces forms an important element of their business strategy. They establish their specific marketing goals by assessing environmental problems and opportunities. Except Goa Antibiotics, the other firms formulate their business plans based on market research.

All the firms estimate their market potential based on periodic sales forecast. Six out of the seven firms maintain market databases to estimate sales potential. These firms also have a feedback mechanism to evaluate customers' response to its products. Survey of doctors' opinion also ranks high in the list of methods of market evaluation for all the firms.

It is found that the marketing departments of the firms conduct surveys of sale of products that directly compete with their products from the retail chemist within the target area. Their strategy also involves gathering information about the prescription behaviour and prescription habits of doctors in their target area.

It is found that the units also make efforts to coordinate the actions of the distributors with the company marketing strategy.
Interestingly, 5 of the 7 firms studied believe that marketing should not be the sole concern of the marketing department alone but should prevail across the whole organization. Six firms conduct interdepartmental meetings to discuss market trends and developments and R & D, production and finance departments are usually involved in planning for market besides the marketing department. The interdepartmental meetings takes place either once a quarter or more often in a year. Five firms responded that the companies Marketing Representatives are involved in strategic market planning, while 2 firms do not involve their MRs in plan formulation.

The 3rd component of market orientation involved actual response design and implementation based on changes in the marketing environment. The findings suggest that although the companies took into account the implementation of the TRIPs regime, they have not actually implemented any significant changes in their marketing strategies. In the period of globalization and increased competition, defending their market share has been the main focus of their strategy. In view of technological and financial constraints, majority of the firms under study are found to have not adopted any global market strategies such as direct investments and joint ventures that could add value through gains from economies of scale. However, only Wallace Pharmaceuticals has a subsidiary abroad and Cosme Farma has a few technological collaborations with foreign companies abroad. Only 4 of the firms are engaged in direct exports. None of the firms are found to have entered into any marketing tie-ups with other firms or engaged into co-marketing contracts to enhance their marketing capabilities, whereas this is the strategy adopted by the bigger successful Indian companies. In the last 5 to 10 years, all the firms had to retrench from unprofitable markets and reduce the number of products offered in the market in face of the growing competition.
While private companies struggle to create niches, it is pertinent to note the view of the Marketing Manager of Goa Antibiotics Ltd. He stated that, 'Frequent management changes, affects implementation in the public sector company. The private counterparts should be better off in realizing their market-oriented vision'.

The progressive of the companies under study are found to be focusing on enhancing the quality of formulations R & D inorder to provide them with a competitive advantage, as no formal R & D for product development is possible with limited resources.

3.7 A Comparative Analysis

For the purpose of the present study, a total of 30 items were included in the questionnaire corresponding to each of the three components of market orientation. Of these 14 relates to intelligence generation, 5 to intelligence dissemination and 11 to response design / implementation. Sample questions for the 3 components were;

i) Does the company establish its specific marketing goals by assessing environmental problems and opportunities?

ii) How often are interdepartmental meetings held to discuss market trends and development?

iii) Did the company's marketing strategy take into account the implementation of the TRIPs agreement?

The scores for market orientation were computed by equally weighting and adding the corresponding item scores. As a result, the market orientation score was the unweighted sum of the 3 components of generation, dissemination and responsiveness.
3.7.1 The Main Findings

The mean score for intelligence generation component computed is 11.71 with a standard deviation across the group of 1.38 and coefficient of variation of 11.78 %.

The mean score for the intelligence dissemination component is 3.28. The standard deviation is 0.75 and the coefficient of variation is 22.86 %.

Mean score for the response design and implementation component is 8.1, Standard deviation 2.26 and coefficient of variation 27.9%.

The series having greater coefficient of variation is said to be more variable than the other and series having less coefficient of variation value is more consistent than the other. From the values obtained, it is inferred that while there is a greater degree of unanimity among firms on the need for generating market intelligence, they differ more on aspects of intelligence dissemination and on the extent of response implementation.

The ranking of firms in terms of the 3 components of market orientation is portrayed graphically in the following figures.
Graph 3.1 Ranking of Firms in terms of Intelligence Generation.

Graph 3.2 Ranking of Firms in terms of Intelligence Dissemination.
Graph 3.3 Ranking of firms in terms of Response Design / Implementation

Graph 3.4 Ranking of firms in terms of overall Market Orientation
It is to be noted that the highest ranking company in terms of market orientation is Cosme Farma Laboratories Ltd. followed by Geno Pharmaceuticals. The profiles of these companies indicate a relatively better business performance within the group, which can be attributed to a higher level of market orientation.

The lowest ranker is Goa Antibiotics and Pharmaceutical Limited. It can be stated that its market losses are due to a low level of market orientation. The other companies which occupy medium ranks need to increase their market orientation for a better business performance.

3.8 The Ethical Concerns in the Goan Context- Main Findings

Regarding the ethical considerations in their quest for becoming market oriented organizations all of the firms felt that it is important to make efforts to project the company’s image as an ethical and responsible organization. At the same time concerns were expressed about the huge spurious drugs market which affects the prospects of genuine players. When questioned about the causes for proliferation of sub-standard products, few of the respondents attributed it to the pricing policy, stating that when product prices are unremunerative and small players are not able to cover expenses it results in compromises in terms of standards while some attributed it to the loopholes in regulatory and monitoring standards. Many were also critical of the activities of the MNC’s who look for opportunities to conduct clinical trials in India due to the economical rates without giving due regard to the ethical considerations involved, whereas the same trials are risky to be conducted in foreign markets due to high level of awareness and the company can be sued for negative effects.
Certain respondents also expressed fear that competitive marketing has led to a company-chemist-doctors nexus in rural areas where substitution of prescription at the chemist level takes place. It is felt that this trend is less in the urban areas where usually people do not substitute a prescribed medicine.

Goa produces about one-tenth of the pharma production in India, valued at more than Rs. 2000 crore. About Rs. 550 crore worth drugs are for exports. Goa Food and Drug administration is headed by a Director, and has two deputy drug controllers, three assistant drug controllers, seven drug inspectors and a few technical personnel. Altogether, there are 130 staff working under the Food and Drug Control Administration, including 12 Food Inspectors. The food testing and drug testing laboratory located at Margao has been modernized under the capacity building assistance programme of the Central Government funded by the World Bank.

According to the Director, almost all the units in the state are Schedule M compliant and there is a proper check on drugs manufactured in Goa. He also stated that irrational drug combinations are strictly monitored and that the sector is well regulated with periodic inspections. At the same time, he admitted that the size of the Drug Control Administration is small in the state as compared to other states. The actual requirements of staff are much more. This raises questions about the efficacy of the Department in regulating and monitoring the pharmaceutical industry in the State.
3.9 Main Conclusions

On question of extent of market orientation, the study reveals that the companies, by and large are aiming to become more market oriented, thus proving the first hypothesis of the study. Majority of them are neither very low nor very high on market orientation. This finding is in consonance with the market reality prevailing in India. The markets in India have been governed by various Governmental regulations and controls till 1990. The companies were not given total control over their functioning. The regulations interfered with various important decisions of the business like pricing, distribution, mergers, alliances, and technology upgradations. The year 1991, brought about a revolutionary change, as it marked the emergence of the country from its self imposed cocoon into the harsh glare of the global economy. Over the period, the Government has been steadily peeling off the protective layers of controls, subsidies and incentives. Therefore, the companies could not afford to completely disregard the market forces. They adopted some threshold level of market orientation so that their decisions and value creation processes reflected to some extent the will of the market. This is necessary to ensure that they survive the competition.

The study leads the researcher to conclude that there is an urgent need for the Goan pharmaceutical companies to undertake further restructuring exercises aimed at state of the art manufacturing and production processes inorder to be able to take advantage of opportunities thrown open by globalization in the form of outsourcing operations, franchising and technology collaborations. It would be also appropriate for the local pharma sector to introspect as to whether it should focus more on functions relating to service sector in the pharma industry instead of manufacturing activity, given the changes in the marketing environment. The service sector such as data base management, bio-informatics, clinical
trials, testing and analysis, contract research etc. are of tremendous importance in the new era. The local companies could develop capabilities in these new areas.

However, the analysis of market orientation profile of individual companies makes it clear that various financial and technological constraints come in the way of taking effective response measures by the companies especially the smaller ones in the group. Majority of the companies under study have not adopted any global market strategies such as joint ventures and marketing and technological collaborations in view of these constraints. Therefore, the second hypothesis that globalisation and competition is leading to significant changes in the strategies of the companies is disproved by the study.

The study concludes that by incorporating social and ethical norms to their market oriented visions, the companies can add value and long run support to their marketing programmes. Proper and careful selection of authorized dealers, who would adhere to the values and visions of the company, focus on quality and good market reputation, coupled with a strong market oriented vision could give even smaller companies the much needed competitive strength. It also becomes obvious that regulating bodies like the State FDA should effectively monitor the flow of drugs especially of the big Indian and multinational companies, as low quality and spurious products as well as unethical promotional tactics by them harm the prospects of genuine small players in the state.