CHAPTER – II

IMPORTANCE, RESEARCH METHODOLOGY, OBJECTIVES and HYPOTHESIS

2.0 IMPORTANCE OF THE STUDY

Since long, the main approach to selling pharmaceutical was focused on frequency and coverage as the main drivers of sales. Until recently, it was true that increasing the number of medical representatives, and therefore the number of details executed by the sales force, did increased revenue and sales.

More recently, changes in the market place, particularly in the major Western European countries, have driven a shift in how companies are approaching their customers. As healthcare costs rise, attempts at rationalizing or standardizing prescribing have increased. The main aim of these approaches is to increase the prescribing of generics and drugs that are perceived to be more cost effective. Within the industry, there also has been a shift in research and development toward more specialized and niche products.

The effect has been to reduce the freedom of individual physicians to prescribe what they think is the most appropriate drug and to, instead, prescribe from a formulary or restricted list. Within the industry, there also has been a shift in research and development toward more specialized and niche products, which do not require huge multi-detailing sales forces. Instead, such products demand an approach that moves away from only
considering individual doctors to treating physician practices and hospitals as accounts.

These changes mean the role of the sales person has evolved to a model which requires talking to multidisciplinary teams about, not just the individual drugs, but therapy and disease areas. This does not mean that we no longer need to call on individual prescribers, but that we should call on a number of different customers within a hospital or practice who have a hand in the decision making process around what drugs are prescribed or placed on formularies. No longer is it the decision of any one individual as to what drugs are used; it is down to many individuals acting as teams with many factors influencing their decisions. The role of the Account Manager is to ensure they know who the relevant individuals are, the parts and roles they play, and the influences and factors that help them develop their views and opinions, which ultimately lead to their role in the final decision or outcome.

This Account Management approach now means that the representative can, and should, call on a number of different customers within the hospital or practice, including nurses, pharmacists, general practitioners and specialists. The desire is to ensure that everyone in the account has the required understanding and information about the company’s products to allow them to make an appropriate and well informed decision about which drugs become the drugs of choice in that particular account.

Fundamental to a successful Key Account Management strategy is the effective utilization of the resources that the company wishes to deploy. In order to make sure that the company and your own resources are most effectively used, it is crucial that we ensure we are communicating
appropriate and differentiated messages to the right customers in the priority accounts.

This has meant an evolution of the role of the sales person from being highly knowledgeable about a small number of drugs or products to increasingly becoming disease area experts and highly effective at building rapport and relationships across multidisciplinary groups in the relevant accounts. The focus is now on building and developing effective relationships with the right accounts, rather than a share of voice approach. This means that the Account Manager has to be able to first, identify the correct accounts from the territory and focus the appropriate level of time and investment on the accounts which are going to drive the biggest ROI (Return On Investment).

The messages that need to be given may differ. For example, a different message may be required for doctors compared to pharmacists. It is vitally important to understand the customer’s individual needs and wants, and tailor the approach to this at all times, keeping an eye on the bigger picture at an account level.

Key Account Managers need to understand the bigger picture and wider implications of the impact of other groups such as payers on the decisions that are being made in the modern health services.

What this means in practice is a move away from armies of sales representatives purely focused on detailing products, towards a focus on building and managing long term relationships with an account, be that medical practitioners, hospital or a group of practitioners or hospitals in a territory. The key challenges will be ensuring that we understand enough
about the customers and the influences in each account to ensure that we utilize the appropriate level and mix of resources – be that our time, money, sponsorship, support or education for each account. And ensuring that we look to maximize the ROI (Return on Investments) and return on the efforts we put in.

Successful companies and sales people in the pharmaceutical industry going forward will understand the value in identifying the accounts that will generate the greatest return on their investment and will be able to develop and maintain commercial business relationships that generate mutual trust and value for all parties, including patients.

Not only the skills of the medical representatives need to be upgraded but also the resources they have internally. Such resources can either be human with the support of internal Medical Experts or through Web tools using the Internet technology. Technology exists to allow for a better message differentiation customized to the specific prescriber needs and constraints.

The changing scenario in Pharmaceutical marketing reflects three times growth in next decade plus the Indian Pharmaceutical Market in special, is ranking 14th in world market. This aspect underlines the importance of the study of management of sales personnel. The following details related to the changing scenario and world market position explains the importance of the subject.
Changing Scenario

**Graph 2 : Indian pharmaceutical market will triple over the next decade**

Following trends will influence the growth of the Indian pharmaceutical market over the next decade:

a) Doubling of disposable incomes and the number of middle-class households,

b) Expansion of medical infrastructure, greater penetration of health insurance,

c) Rising prevalence of chronic diseases, adoption of product patents,

d) Aggressive market penetration driven by the relatively smaller companies.

We believe that from a market size of US$6.3 billion in 2005, the Indian pharmaceutical market will grow to about US$20 billion by 2015. This implies a compounded annual growth rate (CAGR) of 12.3 per cent. This growth
will be materially higher than the annual growth rate of 9 per cent witnessed during 2000 to 2005.

In terms of scale, the Indian pharmaceutical market is ranked 14th in the world. By 2015, it will rank among the top 10 in the world, overtaking Brazil, Mexico, South Korea and Turkey

**Graph 3 : India is projected to be the 10th Largest Market by 2015**

*Source : IMS World Review*
Table 7: Country wise absolute growth during 2005-2015

<table>
<thead>
<tr>
<th>Name of the Country</th>
<th>Projected International Absolute Growth US $ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>196</td>
</tr>
<tr>
<td>China</td>
<td>23</td>
</tr>
<tr>
<td>India</td>
<td>14</td>
</tr>
<tr>
<td>France</td>
<td>14</td>
</tr>
<tr>
<td>Japan</td>
<td>14</td>
</tr>
<tr>
<td>UK</td>
<td>13</td>
</tr>
<tr>
<td>Canada</td>
<td>12</td>
</tr>
<tr>
<td>Brazil</td>
<td>11</td>
</tr>
<tr>
<td>Germany</td>
<td>7</td>
</tr>
</tbody>
</table>

Graph 4: By Absolute Growth India will be among the Top 5 Markets globally during 2005 to 2015

Source: IMS World Review
Pharmaceutical marketing in India is undergoing a surge of change. At every level the field force needs to be fully equipped with the latest techniques to act in time (pro-active approach) "knowledge management" is a key to organizational success in modern days. Constant flow of information is a must, especially to the middle management, which is the backbone of the company.

After the emergence of the internet in India and the increasing awareness about its usage, more and more doctors, chemists, hospitals and pharmaceutical companies are gearing to take optimum advantage of these changing circumstances.

In such a scenario, a web-based software is not only the most appropriate choice for sending the routine reports of the medical representatives and the managers but it is also an extremely cost effective alternative to the traditional methods of data collection and processing.

Pharmaceutical company managers have already started using web-based reporting system or web-based distribution system software’s, which help them save a significant amount of time. This gives them more selling time in the field rather than spending time on collecting and analyzing data and then initiating action.

2.1 NEW TRENDS IN PHARMACEUTICAL SALES

Changes in the pharmaceutical market require companies to change their approach and business model. In the past, medical sales forces have mostly called on doctors and other prescribers to promote their products. This approach was focused on transactions and on increasing share of voice.
Turnover among medical representatives was often high, making it difficult to build relationships with the customers. Several representatives from the same company might be calling on the same customer to promote different or the same products, presenting further challenges of coordination.

In recent years, the market for pharmaceutical companies in the developed world has become more complex. Companies need to adapt for several reasons:

- The increasing numbers of influencers and stakeholders involved in prescribing/purchasing decisions e.g. PCTs (Primary care trusts) in the UK
- Challenges to achieving quality interactions with customers (clinical and non-clinical)
- New channels for marketing messages
- Increasing resistance among physicians and other stakeholders to high call frequency by medical representatives.
- Generally heightened scrutiny of the industry’s promotional practices
- Impact of Pharmaco economics on buyers
- Widening the term customer to include people who are not direct prescribers.
- Tailoring messages to address customer needs.
- Using new sales channels and/or different people to meet the needs of the new customer base cost-effectively.
- Incorporating market access considerations (e.g. regarding pricing) into the product R & D process.
At the same time, the increased focus on profitability at the customer level, the lack of new blockbuster drugs and a tighter squeeze by pricing and reimbursement authorities seems to have put an end to the arms race of the past, leading to a freeze or even a reduction in sales force sizes.

The Vital Questions

These changes are driving alternatives to the traditional sales and marketing routes. The focus is now on smarter use of resources and better meeting of customer needs. To be successful, companies need to move away from a transactional focus on share of voice and calls per day to managing all interactions with customers to create best value for them and the company.

This requires an improved understanding of customers and their needs. A successful strategy will answer these questions:

- What information do we have about the market? How can we fill any gaps?
- Who are the customers and influencers?
- What are the relationships between the customers? How strong are the influences?
- Who are our key customers?
- What are the best and most cost-effective channels (events, direct sales force, and call centers) to engage with the customer?
- Who in the company is best placed to engage with the customers?
- How can we best co-ordinate our activities with key customers across the business?
- How will we incentivize, manage and organize those parts of the organization interacting with customers? How will we measure success?
What information do we have about the customers, and where is it held?

What other information is available but has not been systematically captured (e.g. medical representative’s knowledge)?

What can we do with this information?

Changes in business processes, organization and IT are necessary to meet customer needs. When focusing on the customer and the intended interactions with them, many companies will find that their existing processes and internal structures are ill-equipped to put the new strategy into practice. Organizational silos may prevent the transfer of information, create bureaucracy and lead to internal conflicts (over responsibility or authority) that get in the way of engaging with the customer. Internal businesses processes need to be developed that successfully implement the selected strategy, and an organizational structure needs to be created in which these can be implemented efficiently. Information needs to be gathered in a comprehensive and systematic way, capturing what the company needs to know about its customers and its interactions with them.

The organization has to have the needs of customers, as well as the product portfolio, at heart. This could include a profit and loss approach to individual customers and customer groups to ensure that their needs are met in a profitable way. Accountability, or at least responsibility, for a particular customer should be assigned to someone in the organization. Several people in the organization may still interact with the same customer but there will be a clear focus, better co-ordination and consistent relationship management. The organization should be aligned around the customers, with all other functions and processes supporting this structure.
2.2 CHANGING THE STRUCTURE

Some pharmaceutical companies have already changed their business processes and organizational structure, internationally. For example:

- New sales forces have been created to engage with new customer groups, e.g. by targeting PCTs (Primary care trusts).
- Traditional GP sales forces have been reduced to reflect the increasing influence of other parties on prescribing. In 2004, Takeda UK replaced its entire sales force with a team of PCT account managers, with budget responsibility and decision-making powers.
- Other companies have changed their first line managers to area account managers with matrix responsibility for secondary care
and account management teams, to ensure a consistent and coordinated account approach.

- Allergan in the US formerly used separate agencies to develop messages for the company’s sales force and the managed markets account. This remit has now been given to one agency, which ensures that the marketing messages and the sales pitch support each other.

- In January, Pfizer announced its plan to build a leaner and more flexible organization that places customer focus alongside brand focus. Pfizer is piloting new selling models, moving from a transactional to a relational approach.

According to Pfizer, the pilot models highlighted key benefits including better access to physicians, positioning as a partner, enhanced customer knowledge and use of fewer resources. Reducing the number of management layers will bring leaders closer to the customer. In the US, one of Pfizer’s five business units will focus on managed care and market access. Pfizer’s European organizations have already been reorganized to increase customer focus and accountability.

**Responsibilities of Pharmaceutical Companies in Changing Scenario**

The whole organization must have the needs of customers, as well as the product portfolio, at heart. The transformation to a customer centric structure is not an easy undertaking, but will deliver competitive advantage. Companies need to:
Ensure that customer interactions are managed across all relevant functions

Target and segment key customer groups and align to them as the market changes

Measure in real time the effectiveness of interactions with customers

Model influences between customer groups and plan sales and marketing interventions to maximize impact

Ensure that medical representatives, marketers and other commercial staff who interact with customers are focused on providing the best service and building relationships.

Comprehensive, robust and complete information on the customers is key. This involves collecting all available customer information and making it accessible to everyone who needs it. This approach requires a fundamental shift in mindset and activity, a long-term commitment to building customer relationships, a change in the way that people are assessed and incentivized, and a robust infrastructure that allows customer information and analysis to be shared across the company.

To better meet customer needs and engage new decision-makers, pharmaceutical companies will have to change. Companies who are committed to delivering customer value, have confidence in their ability and are brave enough to make radical changes sooner, rather than later, will race ahead of the pack.
2.3 MARKETING OF PHARMACEUTICAL PRODUCTS IN INDIA

Pharmaceutical marketing is a typical marketing and deals with mainly medical professionals and C & F agents, stockiest / distributors/retailers. For marketing different pharmaceutical products companies require more and more skilled field force to develop good rapport with their direct customer (doctor). Moreover field force should have good product knowledge and Unique Selling Proposition (USP) of their products over other so as to convince doctors and PULL the demand for their products i.e. from Doctor to Retailer to Stockiest to CFA to company. In this system, doctors are the core customers and the major thrust is given to build and retain these customer because they are pulling the demand for products hence companies also give main emphasis in building and retaining these customers.

All efforts are being put for generating secondary sales i.e. from stockiest to retailer. Now-a-days the companies are Ensuring of auto demand with limited availability and maximum liquidation of the products is the main characteristic of this approach. For retaining and developing customers, the companies normally provide gifts like sponsorship for various conferences like RSSDI (Research Society for the Study of Diabetes in India), FOGSI (Federation of Obstetric and Gynecological Societies of India), APICON (Association of Physicians of India Conference) etc. For example Dabur having PASS (Professional Academic and Scientific Services) activities for promoting its chronic therapy range. The relationship between clinicians and representatives has always been good and pharmaceutical companies have provided, and still provide, the major economical support for customers' continuous medical education. Something needs to be done to find a solution to this problem that takes into account the needs of both pharmaceutical
companies and their representatives on one side and physicians on the other, for a better professional interaction. Sometimes they were also mixed with CSR (Corporate Social Responsibility) activity sponsorship like free health camps, diabetic camps etc. Of late the pharmaceutical companies also ventured into the rural areas and along with doctors they are also approaching the RMP doctors to bridge the gap between the product and their ultimate customers – the patients.

Over the last couple of years, pharmaceutical marketing professionals are slowly changing their strategies. This drift is driven by market forces. Patients' understandings of the disease and disease management have also seen a positive shift. Today, a doctor is subject to a lot of questioning and reasoning by the patients both about the disease and disease management. Hence, we see some of the products in the "direct-to-consumer" mode of sale wherever the regulatory requirements permit. For Indian companies marketing differentiation coupled with aggressive selling is the key.

It is on this backdrop, it has been considered that the topic of this research assumes importance in the Indian context.

2.4 RESEARCH METHODOLOGY

Introduction

Pharmaceutical industry is a growing industry for all time. Pharmaceutical business requires specialized sales personnel for increasing the effectiveness of its products, accordingly extensive field work and library work has been carried out in order to collect the information for research purposes.
The separate methodology has been carried out for the purpose of collection and analysis of data. Primary source of data collection, secondary source including various web sites has been utilized for collection of data.

**Primary Source of Data Collection**

Primary source of data collection is first hand information for collection of the data. Questionnaire, personal interview, survey are the means used for collection of data. The separate questionnaire is prepared for doctors, wholesalers, retailers, field workers and top management has been prepared and circulated. The top management personnel have been interviewed in order to collect their views.

Secondary source of data collection has been utilized by the researcher such as bulletin, journals, magazines, manuals, reports and internet facilities. This is already published matter suitable for the research data.

Both primary and secondary source of data collection has its own limitations, but to make the information reliable the sample technique has been used, i.e. sufficient number of samples from available population has been scrutinized.

For the purpose of analysis and interpretation of data the various techniques are used such as table, graphs and trend analysis. This proves to be the effective use of statistical techniques for reaching at right conclusion.
Techniques Used

The researcher has listed top ten Pharmaceutical companies in Mumbai Region based on their sales performance. These top ten companies and their sales are as under-

Table 8: Top 10 companies market in Mumbai region

<table>
<thead>
<tr>
<th></th>
<th>JULY MAT 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Val in Crs.</td>
</tr>
<tr>
<td>MUMBAI</td>
<td>2,577.3</td>
</tr>
<tr>
<td>1</td>
<td>CIPLA</td>
</tr>
<tr>
<td>2</td>
<td>PFIZER</td>
</tr>
<tr>
<td>3</td>
<td>SUN</td>
</tr>
<tr>
<td>4</td>
<td>ZYDUS CADILA</td>
</tr>
<tr>
<td>5</td>
<td>TORRENT PHARMACEUTICAL</td>
</tr>
<tr>
<td>6</td>
<td>EMCURE</td>
</tr>
<tr>
<td>7</td>
<td>SANOFI AVENTIS</td>
</tr>
<tr>
<td>8</td>
<td>UNICHEM</td>
</tr>
<tr>
<td>9</td>
<td>RANBAXY</td>
</tr>
<tr>
<td>10</td>
<td>PIRAMAL HEALTHCARE</td>
</tr>
</tbody>
</table>

SOURCE: ORG-IMS Data, JULY MAT 2010

Mumbai region usually comprises of Mumbai metropolitan area, Thane and Raigad Districts. Usually pharmaceutical companies have Mumbai as a separate region and rest of the districts of Maharashtra are considered separately. This is not a generalization.

Data relating to these top ten companies pertaining to Mumbai region has been obtained and that the strength of the field force has also been obtained. Based on the data with the use of random sampling method the
data for the study was identified ensuring that all the areas of all the top ten companies are represented in the sample so that it will be a representative sample for the Pharmaceutical industry in Mumbai region.

Table 9 : Selection of sample for the study

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Company</th>
<th>No. of Div.</th>
<th>Approx. field force in India</th>
<th>Approx. field force in Mumbai Region</th>
<th>Sample selected Approx. 15%</th>
<th>Response Received %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cipla</td>
<td>20</td>
<td>8000</td>
<td>1035</td>
<td>155</td>
<td>121</td>
</tr>
<tr>
<td>2</td>
<td>Piramal Health Care</td>
<td>17</td>
<td>7000</td>
<td>885</td>
<td>132</td>
<td>91</td>
</tr>
<tr>
<td>3</td>
<td>Alkem</td>
<td>11</td>
<td>5000</td>
<td>698</td>
<td>104</td>
<td>79</td>
</tr>
<tr>
<td>4</td>
<td>Mankind</td>
<td>05</td>
<td>5000</td>
<td>685</td>
<td>102</td>
<td>74</td>
</tr>
<tr>
<td>5</td>
<td>Lupin</td>
<td>11</td>
<td>5000</td>
<td>680</td>
<td>102</td>
<td>84</td>
</tr>
<tr>
<td>6</td>
<td>Zydus Cadila</td>
<td>11</td>
<td>4500</td>
<td>622</td>
<td>93</td>
<td>68</td>
</tr>
<tr>
<td>7</td>
<td>Sun Pharmaceutical</td>
<td>14</td>
<td>4000</td>
<td>550</td>
<td>82</td>
<td>62</td>
</tr>
<tr>
<td>8</td>
<td>Aristo Pharmaceutical</td>
<td>05</td>
<td>4000</td>
<td>489</td>
<td>73</td>
<td>49</td>
</tr>
<tr>
<td>9</td>
<td>Ranbaxy</td>
<td>14</td>
<td>3500</td>
<td>465</td>
<td>70</td>
<td>50</td>
</tr>
<tr>
<td>10</td>
<td>Glaxo Smith Kline</td>
<td>11</td>
<td>2500</td>
<td>312</td>
<td>46</td>
<td>35</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>6421</strong></td>
<td><strong>959</strong></td>
<td><strong>713</strong></td>
<td><strong>14.93%</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey Data

**Questionnaire**

With a view to obtain data from the field, two different well designed questionnaires, one for the Medical Representatives and the other for Field managers, have been prepared and are administered. The responses received have been tabulated and statistically analyzed.

**Sampling Procedure**

The Researcher has listed out the number of the MRs in Mumbai Region. While doing so it was ensured that each identified Pharmaceutical company’s MRs are covered in the selection of sample. The District level
identification of the MRs is on random basis. This will ensure representative sample for the study.

a. **Secondary Data**

Secondary data has been collected from various books from both the disciplines namely marketing management and Human resources discipline, Magazines, Periodicals, and Web sites.

b. **Data Analysis**

The data so collected from the field visits has been tabulated and with the help of graphs statistically analyzed.

c. **Secondary Data**

Secondary data has been collected from various books from both the disciplines namely management and human resources discipline, magazines, periodicals, web sites and interaction with the number of field as well as marketing executives of various pharmaceutical companies who are having major business from Mumbai Region (here the term Mumbai region is referred to specially carved out area from Mumbai and its vicinity which has been defined earlier in this thesis)

### 2.5 OBJECTIVES

Once the importance of the subject is understood in the right perspective it can be seen that the management of sales personnel in pharmaceutical industries has also great bearing on the Human Relations Development discipline. Hence, while formulating the objectives of this study
along with marketing management and the HRD aspect has been borne in mind. The objectives of this study are enumerated hereunder.

1. To analyze the role of management in the development of efficiency of sales personnel.
2. To study the role of Management of sales personnel in relation with work training of sales personnel and improvement in the quality and achievement of given targets.
3. To analyze the role of management for extending better working conditions to the sales personnel.
4. To analyze correlation between various marketing techniques, schemes and sales achievements in pharmaceutical industry.
5. To analyze remuneration, schemes applied to the pharmaceutical sales personnel (cost-benefit analysis)

2.6 HYPOTHESIS

The marketing of pharmaceutical products is typically distinct from the marketing of other products say consumer durables, industrial products etc. The marketing channels are also different as has been brought out in chapter I of this thesis. In light of this fact, the following hypothesis has been drafted.

1. The specialized skill is required for the pharmaceutical sales personnel as it is a specialized scientific type of marketing as compared to other products.
2. The competition in pharmaceutical industry has resulted in special training requirements of its sales staff.
3. The traditional methods of recruitment of sales staff are not useful for recruitment in this modern age.
4. The field staff has to play the vital role in promotion of sales. Especially they require specialized communication skills.

Pharmaceutical sector is one of the sectors wherein the human resource comprises of the qualified personnel. These personnel are also extensively trained in their respective areas of specialization. Prior to 1991, before embarking upon the introduction of economic liberalization and adoption of globalization policies, the entire scenario of Pharmaceutical companies has undergone a sea change. There are lots of mergers and acquisitions in Pharmaceutical companies. Because of the presence of multinational companies, there is a definite change in approach of MNCs as well as Indian Pharmaceutical companies towards marketing as well as human resources management. This has necessitated the study of the changed scenario in regard to Marketing management and Human relations management. Besides, there is heavy input of technology up-gradation which has also given rise to new techniques of communication and handling of Pharmaceutical marketing. It is on this back drop, this research study has relevance in the present day context.

2.7 SCOPE AND LIMITATIONS

Mumbai Region as understood in the Pharmaceutical Marketing phraseology is quite a large area spread over area of Mumbai District area 437.71 km² (169 sq mi), Thana District 9,558 km² (3,690 sq mi), and Raigad area 7,148 km² (2,760 sq mi) thus the total area of the Mumbai region works out to 17,143.71 km².

There are more than 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, having major market share in this region.

This region is 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.

Taking into consideration the varied nature of Mumbai Region’s geographical area under study, the findings are applicable in similar situation elsewhere in India. There will be slight variation depending upon the location and the rest of the environment. The Mumbai region has been selected because of its varied nature.