CHAPTER - 4

Emerging Trends in Indian Pharma Market
"The biggest problem which besets almost every agency is the problem of producing good campaigns.
Copywriters, art directors, and television producers are easily come by, but the number of men who can preside over an agency's entire creative output — perhaps a hundred new campaigns every year — can be numbered on the fingers of one hand. These rare trumpeter swans must be capable of inspiring a motley crew of writers and artists; they must be sure-footed judges of campaigns for a wide range of different products; they must be good presenters; and they must have a colossal appetite for midnight oil."

- David Ogilvy (1971)

"Ethics in advertising? Advertising is about as ethical as the American public. About as ethical as you and your neighbors. About as selfish as you and your acquaintances. It has about the same moral standards as the upper socioeconomic strata of society because it is created, approved and paid for by the upper echelons of modern U.S. Society. I will modify that to say that it is a little more ethical, a little more moral, than the upper economic strata of society. Why? Because advertising lives in fish bowl. It is the most visible of all commercial practices. It has 200 million critics. And no business, no communications medium, no art form (or whatever you want to call advertising), no other enterprise has so many watchdogs."

- Morris Hite (1988)
CHAPTER - 4

Beside the dimensions and dynamics, there are also imminent trends and tendencies that are likely to influence the course and future of Indian Pharmaceutical market. Alongside radical breakthroughs in the communication area, there are also remarkable changes in the global economic scenario that will have a profound impact on the pharmaceutical market. In such a context, it is only those pharmaceutical companies that will timely and apt efforts to jack up their competencies by harnessing the new technologies and brace up themselves to tap the potential that the opening up global market will hold out. The following are some of the obvious changes that are conspicuously perceptible in the Indian Pharmaceutical market.

4.1 The OTC Market

All the same, it is a fact not to be ignored that despite the strong stranglehold of the intermediaries in the marketing of pharmaceutical products, the OTC (over-the-counter) market is also steadily expanding. R B Smarta classifies the various OTC products in the pharmaceutical market into the following three categories:

4.1.1. Self Medication

Being aware of the general symptoms and remedies of a common ailment and having gained knowledge through experience, the end-users choose and use particular medicines for particular ailments. The
examples include such low-risk prescriptions as Unienzyme, Benadryl, Betanovate, Ferradol and so on.

4.1.2. Advertised Brands

The buyers are cultivated and motivated through advertising campaigns to go for particular products / brands without the intervention of intermediaries. Examples of such OTC products include the many painkillers, sanitary napkins, and headache relievers.

4.1.3. Recommended by Doctors

These are products recommended and reinforced but not prescribed by the doctors through advertisements that are bought by the end-users over the counter. Some of the examples of such products include the various medicated soaps, toothpastes and energizing beverages.1

Alongside, Indians also have a long tradition of using the various drugs and medicines that fall a part of the conventional systems of medicine like Ayurveda and Unani for ailments and diseases that are endemic in various regions of the country. The various therapeutic categories under Herbal and Homeopathy medicines that are preferred OTC are as follows:

---

### TABLE 4.1

**Therapeutic Categories (Herbal & Homeopathy)**

<table>
<thead>
<tr>
<th>• Gastro-intestinals</th>
<th>• Musculo-skeletal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Dietary supplements</td>
<td>• Cytostatics</td>
</tr>
<tr>
<td>• Cardiovasculars</td>
<td>• Endocrine therapies</td>
</tr>
<tr>
<td>• Anti-infectives</td>
<td>• Sensory organ drugs</td>
</tr>
<tr>
<td>• Central Nervous system</td>
<td>• Genito-urinary</td>
</tr>
<tr>
<td>• Respiratory remedies</td>
<td>• Dermatologicals</td>
</tr>
<tr>
<td>• Memory loss</td>
<td>• Oral cavity</td>
</tr>
<tr>
<td>• Aphrodisiacs</td>
<td></td>
</tr>
</tbody>
</table>

The particular brands that are preferred OTC for particular simple ailments are as follows:

**TABLE 4.2**

The Global OTC Market

<table>
<thead>
<tr>
<th>Category</th>
<th>Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cough, cold and allergy</td>
<td>Contac, Halls, Nicorette, Ricola, Tavist, Vicks</td>
</tr>
<tr>
<td>Gastro-intestinals</td>
<td>Alkaseltzer, Dulcolax, imodium, Maalox, Pepcid</td>
</tr>
<tr>
<td>Vitamins, Mineral and tonics</td>
<td>Alinamin, Centrum, Lopovitan, Pharmaton, Redoxon</td>
</tr>
<tr>
<td>Analgesic</td>
<td>Bayer Asprin, Deepheat, Neurofen, Panadol, Tigerbalm, Tylenol, Voltaren</td>
</tr>
<tr>
<td>Dermatologicals</td>
<td>Betadine, Canesten, Clearasil, Deflucin, Monistat, Nix Nizoral, Qxy, Preparation H, Regaine/Rogaine, Retin-A/Renova, Zovirax</td>
</tr>
</tbody>
</table>

4.1.4. The critical success factors

"The various critical success factors (CSFs) that are responsible for growing OTC products in the Indian Pharmaceutical Market are"²

- OTC orientation
- Distribution infrastructure
- Brand heritage / turnover
- Company image
- Cost leadership in manufacturing products
- Acceptable quality in mid-price range
- Continuous access to OTC product portfolio
- Speed to market
- Strategy to leverage existing OTC brands
- Multi-level education programmes

Then the signal is obvious that the chunk of OTC transactions are witnessing a steady upward trend to constitute no negligible a part of the pharmaceutical purchases.

4.2 Rural Marketing

There is no contesting the fact that the healthcare sector in the country has experienced an enormous growth, particularly over the

² Ibid, pg:34
last decade. It is equally important to note that the reach of healthcare and healthcare products is mostly confined to the urban and semi-urban area. The vast potential of rural India for pharmaceutical products still remains largely untapped.

"The progress made by the pharmaceutical industry in the last 50 years has been laudable in many respects. It has been qualitative as well as quantitative. Our Country intend to become major world players and the beginning is already made by a few Indian companies, who have gone multinationals. In the domestic market, however, yet to concentrate on a vast potential, lying almost untapped, in rural sector. One rough estimate suggests that about 80 percent of the pharma products are purchased by only about 20 percent population in rural segment is yet to taste the fruits of our progress.

While far-off shores of global markets are beckoning our ambitious companies, right under their nose lies a vast market almost neglected. For large companies, right under their nose lies a vast market almost neglected. For large companies, a singular reason for not going deeper in the domestic rural markets could simply be the more lucrative in overseas markets. Perhaps better profits are seen in that sphere even after considering global competition."3

"For large companies, a singular reason for not going deeper in the domestic rural markets could simply be the more lucrative in

---

3 Express Pharma Pulse, March 26, 1998.
overseas markets. Perhaps, better profits are seen in that sphere even after considering global competition...All of us know that rural India is a very vast market with an enormous potential for pharma products. The very fact that around 600 million people live there in villages with meager healthcare set up gives an indication of the size of the market and its future potential.\textsuperscript{4}

"The medical practitioners in the remote places obviously are not covered by pharma companies and their knowledge of medicine does not get a chance of improving and updating, unlike their counterparts in urban areas. Hence, their use of medicine is confined to first and second generation products, by and large.\textsuperscript{5}"

\begin{flushleft}
\textsuperscript{4} A M Thakkar, "Rural Marketing - Some Practical Aspects." \textit{Express Pharma Pulse}, March 26, 1998, pg:11

\textsuperscript{5} Ibid
\end{flushleft}
The graph below illustrates vividly the potential buying capacity in rural India vis-à-vis the urban India:

Diagram 4.1

Household Incomes of Urban Vs Rural India

Source: Business India publications, based on MCAER research

"The prospect of rural marketing is very bright and quite challenging. Many brands have died or are on the verge of dying. Targeting rural customers and promoting brands would start again in this new market. Companies therefore, need to strive to unleash this untapped segment. The main concern is awareness and distribution. Most of the doctors are unaware of the latest technologies and drugs. Thus, innovation in distribution methods and creating awareness is a
key to success. In future, it is therefore going to be an educating way of marketing. \(^6\)

"Dual promotion aspect is worth trying; one is to promote product and related medical information to customers (Doctors) and second is to bring about various diseases through skits, drama and play. Because of illiteracy, text messages may not get across but visual messages (colour pictures) would work well. Various regional campaigns may be required to run. Additionally, various camps and such as cardiac care camp, eye care camp may be organized where local doctors are invited to attend along with the senior specialized doctor."\(^7\)

"But, for companies which do not have such plans of going global and for whom the domestic market remains the sole preoccupation, going rural cannot be escaped for long. The present scenario of an ever increasing competition in the urban and semi-urban markets has already made the future growth more difficult. Therefore, those companies aiming at growth higher than Indian Pharmaceutical Market (IPM), have to examine very closely whether they can put off the strategic proposal of going rural any longer or the time has come to take a plunge now.


\(^7\) Ibid
4.2.1. Strategic Decision

Basically, to achieve substantial growth in sales, the most important factors are: products; markets or clientele; sales force and finally; marketing inputs.

To take a sound strategic decision on rural marketing each of the above factors will have to be considered carefully, as a wrong step can lead to an enormous loss of resources, retrograde the progress made, and may make future look bleak for any company, however big or small. But before examining the product – mix suitable for the rural markets, it is necessary to have a look at the market itself.

4.2.2. The Market

An educative experience is that with a charitable medical center in an interior place, about 75 km away from Mumbai gives some insights in a typical rural market. The said medical center is surrounded by about 15-16 villages, with predominantly tribal population, and has an out patient department facility.

This is the state of affairs in the areas away from Mumbai. As a very small sample, what it denotes is a simple information that in the country – side there exists an untapped potential of agro-based society, that has economically progressed and has purchasing power of no mean dimension.
The Government’s healthcare standard in rural India is quite inadequate. The primary health centers (PHCs), in most of the states, have identical stories of paucity of resources viz doctors and medicines.

The private medical practice therefore has to fill the gap in a sizeable way. In the private practice, there are qualified doctors (qualified in allopathy, integrated system, ayurvedic and unani). Specialists are available only at the district head quarters. At these clinics, routine medical problems from aches, fevers, injuries and cough/colds to rudimentary surgical cases of wounds and burns are treated. For serious cases, patients go to district towns and bigger cities. The common cases of routine medical problems, by sheer numbers, comprise a sizeable market however scattered and spread. Poor hygiene and lack of nutrition are majorly responsible factors for wide spread and recurring disorders.

The medical practitioners in the remote places obviously are not covered by pharma companies and their knowledge of medicine does not get a chance of improving and updating, unlike their counter parts in urban areas. Hence their use of medicine is confined to first and second generation products, by and large.
4.2.3. The Products

It is not difficult to get a workable idea of the products used in the rural and semi-rural areas, once considered the level of healthcare facilities available in the villages. Wherever the government units are supplying free medicines, the standard and variety of drugs are bound to be low as the district authorities have only a shoe-string budget and the departmental supplies, too meager. Therefore, private practitioners have to use better drugs, which have to be effective and different from government supplied preliminary drugs. PHC will give Sulpha products whereas a private doctor will use cotri-moxazole, from his dispensary.

The rural patient, on one hand, is price-conscious, and on the other, uneducated. The private doctors usually dispense drugs and prescriptions are to be found for products which are less frequently used by them. One should not forget that the parallel systems are also practiced in the villages. The old remedies and ayurvedic medicine, the hakim's unami preparations and superstition led rituals – all are there in the rural field. 8

4.3. Relationship Marketing

In the evolution of marketing, the latest concept that has caught up the imagination and interest of the marketers across every industry

---

8 *Express Pharma Pulse, March 26, 1998*
is relationship marketing. “The concept suggests that by better understanding customers on an individual level and by delivering to them information and products targeted to their specific needs, marketers can develop long-term annuity streams that translate into worthwhile profits. Customer service is a vital part of relationship marketing. High levels of customer service and satisfaction forces vendors and buyers to have high 'switching cost.' Commitment is a key to market-share retention, which is the result of effective relationship marketing.”

Relationship marketing is different from the conventional one-to-one marketing. While the latter is aimed at increasing the customer base; the former emphasizes the need for retaining the existing customers. The fundamental differences between the conventional one-to-one marketing and relationship marketing can be illustrated as follows:

---

### TABLE 4.3

<table>
<thead>
<tr>
<th>One-to-one Marketing Vs.</th>
<th>Relationship Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Focus on single sale</td>
<td>➢ Focus on customer relation</td>
</tr>
<tr>
<td>➢ Orientation on product features</td>
<td>➢ Orientation on product benefits</td>
</tr>
<tr>
<td>➢ Short time scale</td>
<td>➢ Long time scale</td>
</tr>
<tr>
<td>➢ Little emphasis on customer service</td>
<td>➢ High customer service emphasis</td>
</tr>
<tr>
<td>➢ Limited customer commitment</td>
<td>➢ High customer commitment</td>
</tr>
<tr>
<td>➢ Moderate customer contact</td>
<td>➢ High customer contact</td>
</tr>
<tr>
<td>➢ Quality is primarily a concern of production</td>
<td>➢ Quality is the concern of all.</td>
</tr>
</tbody>
</table>

*Source: Dr. R K Srivastava, "How Relationship Marketing is Relevant in India, Pharma Pulse, Nov 25 1999, pg 26*

#### 4.3.1 Relationship marketing techniques.

"Since pharmaceutical marketing demands the companies developing close and sustained relationship with pharmacists and physicians, relationship marketing comes as a highly relevant and handy tool for the pharmaceutical companies. Some of the techniques that could effectively be employed in implementing relationship marketing by pharmaceutical companies are"\(^{10}\)

➢ Phone a customer a day

\(^{10}\) *Ibid*
Be proactive

Increase Key Customer visit

Improve communication process

4.4 E- Marketing

There is less hype and more substance in the statement that the future belongs to e-commerce. The advent of Internet technology has brought, in its wake, many momentous changes in the market. By constricting distance and time, it has made the concept of a global village a reality. By networking places and people, it has ushered in borderless trade. By facilitating trade on line, it has deeply cut down the costs and time of business transactions. The Pharmaceutical market too has been not lagging in the race of lapping up the benefits of net marketing. In fact, it has been among the first of the industries to get onto the bandwagon of e-commerce. There is a proliferation of pharmaceutical portals enabling pharma-related information, interaction and transactions like www.pharmaceuticalonline.com, www.pharmamatch.com and www.webmed.com

"What e-commerce has allowed firms to do is to bring intangible assets to the fore - to leverage the value they add, and even to make a business of them, pure and simple. By making inter-firm collaboration easy and inexpensive, e-commerce allows intangible assets to be leveraged across a much larger buyer base. Time and space
constraints no longer apply, so they no longer have to be collocated with the tangible means of production. The workings of e-economy simply don't rely on the physical assets so important to the Industrial Age. Instead, returns, cash flows and resulting market valuation are being driven today by firm's intellectual property and customer relationships."  

"Direct Internet access to consumers, decision-makers and providers of health care means that all of the relationships must be re-evaluated. It means that there will be rethinking of the roles of every party who, one way or another, is involved in this flow: The field force, C & F agents and distributors, the chemist and even the physician. What value does each point really add? How critical is their role, and how effectively and efficiently do they perform it? And could the same value (or more) be achieved on other ways? In the long chain from manufacturer to patient, there are numerous steps – depots, C& Fs and distributors. The Internet is greatly reducing, and in some cases eliminating, those points. At least, half a dozen enterprises are already building 'new' and shorter chains through programmes such as World Chemnet's BAP (business affiliation partners)."  

4.5. Co-Marketing

"While co-marketing is a new concept all over the world, it started in a different way in a nascent form even before the 1970s in India.

Unichem, a pharma company, promoted Saffola oil (of Bombay Oil Mills) to cardiologists as a part of their promotion, while Horlicks (of Hindustan Milk Foods) was promoted by a specially hired team to gather 'endorsement.'

Later on, as the advantages became apparent, companies like Johnson & Johnson and Wipro commissioned vendors to promote their baby care products to doctors for 'endorsement.' Glaxo for the first time marketed Equal (a non-sugar sweetener) for GD Searle in India. These are classic examples of co-promotion. The experiments were very successful. Recently, UNI-UCB (having a small field force), Glaxo and Unichem have launched a new anti-allergic entity of UCB, Cetirizine. Such a co-marketing approach enables organizations to focus more on market reach, penetration and brand share. The ultimate aim of such approaches is to develop brand image and brand equity." 13

4.5.1. A Strategy in post – GATT Era

"Pharmaceutical marketing is undergoing transformation. This transformation accelerated in post – GATT era. Earlier due to protection from government, many Indian companies flourished. This also led to mushrooming of Indian pharma loan licensing arrangement. Many pharma companies were successful as rarely any such pharma company closed down due to favourable response. This led to multi segments in pharma companies based on their operational method.

At the same time Ranbaxy and cipla has joined hands in promoting slow release Ciprofloxacin which will lead to their dominance in this segment. CDM petition will become tough in Cipro market. Co-marketing concept is percolating down in Indian Pharma scenario. It is good to notice the big giants joining hands to face competition.

4.5.2. Rationalize of co-marketing.

It is coming together of two or more companies to provide products to the end customer products to the end customer or influencer. It is normally in the following form:

**Manufactured by one and marketed by other:**

- Cost advantage to marketing company.
- Small company can run the factory and earn profit too.
□ Helps small scale to become more quality conscious due to better technology transfer.

□ It helps small scale to become more professional due to closer interaction.\(^\text{14}\)

4.6. Medico-Marketing

"The purpose of medico-marketing is to promote corporate products and services with the help of MRs and by other direct response marketing methods. The purpose of hiring medical advisors, consultants, medico-marketing consultants, MRs, artists, designers, illustrators, or photographers is to help do just that. Yet sometimes there can be a lot of trouble with the creative part of the promotion.

Successful marketing and promotion of medical products and services often hinges on the services of several knowledgeable and creative professional companies. Besides hard-core medical knowledge and concepts, it is the designers, copywriters, illustrators, photographers and consultants, who have to translate the marketing objectives into results.

A company can develop interactive literature, manuals, examination papers with affiliation of few universities or medical colleges use learning models on computers on a one-to-one basis and interact on an individual or on a group basis with select doctors. Such

\[^{14}\] Express Pharma Pulse, November 22, 2001, pg:7 & 16
interaction and education can also provide value-added personal
development of the doctors."

4.7. Benchmarking Promotion Budget

Promoting a product in Indian pharma industry is a complex activity. Many tools are required to get good success. Over the years, impact of different tools has under gone changes. However, role of medical representatives (MRs) has not changed. He continues to be the top most influencing factor in getting business. Impact of different tools over the last 15 years is given in following Table 4.4.

**TABLE 4.4**

Factors which influence prescription
Top Five Factors

<table>
<thead>
<tr>
<th>Rank</th>
<th>Factors influencing prescriptions of doctors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MR visit</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Express Pharma Pulse, June 20, 2002 – Pg: 10&20

---

Gifts to doctors & organizing symposium/ clinical meets:

Major promotion expenses are gifts to doctors and organizing symposium/ clinical meets. Gifts are given to doctors to get a favour. However, what is remarkable is 42 per cent of the companies spend upto 1 per cent on gifts while 60 per cent of the companies are spending more than 1 per cent on symposium/ clinical meets.

Thus trend is to become more scientific in selling products to doctors. This is a healthy trend for pharma companies.

Gifts can be of two type viz; a) Utility Value and b) On the desk reminder.

Utility value gift unfortunately, is gaining importance. In fact, such type of gifts are also misused by field personnel too. Study revealed that such gift can influence the prescribing habits in “non serious products”. This is true all over the world.
The following tables shows percentage of sales in sale promotion.

**TABLE 4.5**

**GIFTS AS % TO SALES**

<table>
<thead>
<tr>
<th>% Distribution of Companies</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>&lt;0.5</td>
</tr>
<tr>
<td>42</td>
<td>1-&lt;0.5</td>
</tr>
<tr>
<td>25</td>
<td>2</td>
</tr>
<tr>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>16</td>
<td>&gt;3</td>
</tr>
</tbody>
</table>

*Source: Express Pharma Pulse, June 20, 2002*

Thus 67 per cent of the companies spend between 1-2 percent on gift. Thus, this can be a benchmark for any company. Companies with higher per cent can take objective for reducing the per cent or vice versa.

Symposium/ clinical meets are getting importance in pharma promotion. This scientific interaction between company and medical profession is extremely useful provided such meeting are not "get together". Its effectiveness can be enhanced if agenda is interesting and proper fellowship is maintained.

Today, many companies are planning such events. However, how much need to be evaluated. 60 per cent of the companies are spending (less than) 1 per cent of the sales on symposium. This can be an eye-opener for small to medium sales companies.
It is heartening to note that many companies who are not spending much on Trade Scheme have diverted their expenditure to this aspect of promotion.

4.8. Strategies to build new customers

"In today's highly competitive business, companies are aggressively pursuing new customers. From airlines to fluker farms, which sells, feed crickets and reptiles to pet stones, there's plenty of analysis done on the potential in widening through net customer base.

That is also the base for considerable debate about how one goes about widening the customer base. When you converse with successful managers in these companies you hear a common adage, "We cannot be all things to all people" which leaves them to focus on what they can be and whom they can serve.

In the business of pharmaceuticals, a majority of marketers are concentrating on the 'conversion' of customers. It's a very costly process, but it is still being undertaken. As a result, the main focus many a time shifts to 'competition'.

The joy is overwhelming, but it does not become a standardized process. So market dependent on existing customers. The pressure to grow builds on the existing customers only. So industry want new customers too.
4.8.1. **Customer Needs:**

Most Indian pharmaceutical companies have a problem in the area of 'customer needs'. Usually, product managers depend on their own information and intellectual resources to decide what the doctor might need of their brands. However, this internal dependence may prove limiting in the long run, and is often the reason that companies get caged into the thinking of their own four walls, and fail to learn anything move of the outside world from year to tear (they end up wallowing in the same old pool of knowledge, unaware of the most elementary things about the customer base).

To keep learning, marketers need to develop proper procedures for studies to keep a constant understanding of customer needs. It's unfortunate that while most managers are updated on medical information, they get only second-hand information (from the field force) on the customer base.

On the other hand, we also need to identify the top prescribers from each market, the kind of practice they do and the preference which they show for particular brands in specific therapeutic groups. On the basis of this information gathered from retailers, chemists, doctors' chambers and so on, one could figure out the parameters on which each brand is satisfying which segment of doctors. This knowledge is of immense value to a seasoned strategist. Further, through a promotion a differentiation programme, along with frequent
visit to the market, one can analyze prescription behaviour, segment-wise, for each individual brand or even therapeutic group.

Beside, it is not enough to study just doctors, chemist, hospitals and stockist are important as well, depending on the marketer's product portfolio. The truth is that while everybody is aware of what ought to be done, it is really far away from understanding the needs of our customers in terms of their patients. In the harma business, the role of marketing has always been suspected because it is very easy to mistake your customer for an exhortation to please the doctor, under the guise of 'service' in a manner that has no bearing on the well-being of the patient. This is frankly, poor marketing and myopic. Because pharma products exists to cure illness as effectively and cost effectively as possible, and it is a focus on this interest of doctors that builds brands for the long term.

4.8.2. Focused Exposure:

Having identified customer needs, potential of specifiers and therapy specifies along with patient database, every organization needs to focus its energy on exposing the brands to the target audience. MRs and front-line manager play a crucial role here. Their frequency of visits call strategy, detailing, promotion of brands, commitment to get prescriptions from doctors and the ability not to dilute the focus are all critical. Managers, who expend their energy controlling MRs rather than making market visits themselves, tend to fail. A focus on sales
volume alone-instead of brand-building-is inadvisable. Both should go hand in hand.

4.8.3. Media Strategy:

Few marketers take the multimedia approach but majority don’t do due to lack of funds. They do argue on this cost and returns. However, it is a lack of perspective-and a disrespect to marketing collaterals and intangibles that results in this aversion. The best way to engrave a brand in the customer’s mind, is to run a multimedia campaign. It is also important to standardize the procedure for cost evaluations and media selection.

4.8.4. Retail Strategy:

India is perhaps one among those countries where distribution comes before ‘marketing’ as defined in customer-orientation terms. One reason is that the country is so vast, and for many decades, just the ability to produce a product that works and reach it to the four corners of the country. Today, availability continues to be important. The A, B, C classification of retailers along with all earlier steps provide the edge over the competitors to stock one’s brands at a high optimization level. The earlier steps make it easier to dominate class retailers. In fact, the distribution strategy can operate in synergy with strategies in other functional area.
Specifiers are generators of Prescription while retailers in India are facilitators. Even a few hospitals are facilitators today. We must look at these facilitators and then derive strategy.

Together, the six steps provide a basic route map to success. However, do note that within this structure, dozens of alternative strategies are possible and this depends on what exactly the firm wants to achieve, the products it has and the kind of new customers it wants to attract.

There are few strategic initiatives for growth: International research shows that there are five strategic initiatives to grow through acquiring new customers.

42 per cent of new customers have been acquired from new markets. This seems to be the major source of acquiring new customers all over the world. While defining markets, it is essential to go into depth and perhaps conduct customer profiling in process, so that one can target customers more accurately along with the potential of them to prescribe our brands. Age of a particular physician or specifier may dominate his prescription habits which are based on his education, experience and value of the seniors. This may be different from the one who is aged in the same location or specialty. It's very
important to acquire more depth to our customer profiling and acquire new customers.\textsuperscript{18}

4.8.5. Areas of Concern

"Three have been an issue that is haunting the pharma industry in the last few years. One of them has been the steady growth in the number of players. This has not been due to many new entrants but mainly because of existing players opening up many divisions. These divisions are individual Strategy Business Units which increase the size and hence probably the presence of an organization. This has severely intensified the competition in select therapeutic segments like cardiovascular and anti-diabetics. The propelling reasons are that these segments continuously grow and being protracted diseases, the pitfalls of business stability are less unlike the and general vitamins.

One area of concern is that, through the segments are growing, the customer universe is not growing at the same speed. End result is that, the same set of customers are being bombarded with same set of products. Each molecule is becoming a multi branded-mini-market of its own without a single player in a position to properly and thoroughly gain the superiority of a new molecule introduction. A molecule's usefulness is not getting fully evaluated. There can be a counter to this point, that unless more players are marketing the same molecule, the growth of the molecule gets delayed.

\textsuperscript{18} Express Pharma Pulse, September 2002. pg:10 & 16.
The third issue that has been affecting the pharma industry is the continuous shift of field personnel and the consequent impact of this on their manpower. Like there are only select customers in niche segments, there are only very few field personnel coming into pharma selling. The absence of more people or the lack of better talent has forced the industry to create a intra industry loyalty shifts of sales personnel. This started with marginal attractions in emoluments and positions had gone to the absurd level of excessive remuneration for undue talent and mediocre personnel getting graduated to key executive positions. This has prompted the doctors to grow indifferent to the personalized selling, which was well practiced by the industry hitherto.

The other important issue that has affected the pharma industry is the price-based competition. Pricing has always become a marketing managers’ main headache. A classic example is the current price war in the anti-Aids segment and the cardio-vascular market. It had been the practice to introduce products at the market skimming prices and then start trimming down the prices as competition builds up. These had been a good strategy till the early 90s when the gap between the first and second entrants used to be six months to one year. This gap also has been reduced to six weeks to two months now and hence the price wars force the customer to disbelieve the intentions of the marketers.
The other interesting aspect is the commonality in the marketing styles of majority of the companies in the world of pure "brand marketing" what the Indian pharma industry witnesses today. The essential requirement is differentiation. Differentiation is one key element of marketing that can help one company grow steadily and with speed, even if other elements share commonalties. Unfortunately, the differentiations are few and often rare. The consequence is that there is clutter and the customer is confused. The end result is growing indifference amongst customer towards companies and hence a terrible erosion of customers loyalty. The internal customers development by way of training has also been badly effected by loyalty erosions and the industry's inability to attract talent.

The government policies also have been fluctuating and as a result the industry has always been under a constant threat of what will happen next. The nobel intention of making good drugs available to the general public has taken a negative turn by the price ceilings which have forced essential drugs to go out of shelves. This has started to erode the commitment of the industry to the social cause of the industry price control with a holistic approach protecting the bottom line of the industry should be helpful.”

17 Express Pharma Pulse, January 17, 2002, pg:10
4.9. Challenges of Product Positioning

"It is well known fact that the current scenario in the prescription-drugs market is competitive due to the fact that prescriber/physician is bombarded with a daily dose of 'tonnes' of information; quite naturally, therefore, finds it impossible to retain the data pertaining to drug names, their actions and indications.

When a plethora of brands compete with each other for the attention of the physician/prescriber, the pharma companies should restore to 'strategic positioning' of their products i.e. the product should satisfy a need not satisfied by any other product and should have a 'unique selling point' (USP). The distinct advantages of the product should be clearly communicated to the physician by means of PSRs and promotional literature.

This can be done by researching the market, interviewing experienced physicians and surgeons. Most successful companies have recognized the importance of this concept and are putting it in to actual practice. Once a physician recognizes and appreciates the 'UPS' of a product, he would remember it for a long time, because it has been successful in catching his attention. Some of the strategies used in product positioning area are as follows:
4.9.(a) Pharmacokinetic Properties:

Positioning based on superior pharmacokinetic properties: Torrent's Maxif 400 has been positioned as a drug having the highest AUC/MIC and Cmax/MIC ratio and therefore offers minimal potential for development of resistance, faster relief of symptoms and in effective against resistant pathogens.

Similarly, in case of Protec/Cipla's Levo/flox emphasis is laid on it being the first fluoroquinolone with a clinically relevant spectrum of activity.\(^\text{18}\)

4.10. Market growth

The Indian Pharmaceutical market (IPM), valued at Rs. 18,200 crores (Dec 2002 MAT), grew by 8.3% in value terms and 8.8% in volumes. The market has definitely witnessed a slow down in growths this year as shown in table 4.6.

<table>
<thead>
<tr>
<th>TABLE 4.6. Value growth for IPM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Value Growth (yoy)</td>
</tr>
</tbody>
</table>

Source: Market Intelligence December 2002 - ORG-MARG

There was a revival seen for the industry towards the end of 2001, but lower growths in 2002 resulted in single digit growth (8.3%).

\(^\text{18}\) Express Pharma Pulse, October 17, 2002, pg:6
4.11. Growth drivers

"Products launched in the last two years (2001 and 2002) have fuelled almost the entire growth in the market, thus indicating their growing influence. Almost 3000 new products were launched in the last two years, amounting to Rs 1365 crores. In fact an aging analysis of brands in the industry indicates that these products contribute almost 8% of the total IPM. It is interesting to note that, only three years back (1999), new products (those launched in 1998 and 1999) contributed a mere 6.6% to the market."
The following diagram depicts the information regarding growth trends.

Diagram - 4.2
The market has seen a phenomenon that is unique this year. It is the first time since the last four years that the market has seen an overall decline in prices. Average drug prices declined by almost half a percent this year. The gap between volume-led and price-led growth is also decreasing, indicating the increasing importance of competitive forces in determining pricing of drugs.

Of the Rs. 1365 crores added by new products to the industry, Rs. 378 crores came from new molecules. 63 new molecules were launched in period 2001-2002.

As growths in the market are shrinking, companies are struggling to maintain their shares. Indian companies, by virtue of their freedom to launch products have made a clear statement “Launch or Lose.” Although it is true that new products are driving growths in the market, one cannot ignore the fact that managing the launch process is not an easy task. Being in the launch race requires investment in terms of time, capital and effort. Thus, it is the product portfolio and the marketing network of Indian companies that will determine how they will fare in the new millennium.”

---

Market Intelligence (Overall Industry Performance) December 2002 - ORG-MARG & DATA, pg: 1 & 3
The following diagram depicts information relating to growth drivers for OPM and value-volume-grow in the companies for IPM.

Diagram – 4.3

Growth drivers for IPM

<table>
<thead>
<tr>
<th></th>
<th>2001 (9.7%)</th>
<th>2002 (8.3%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Products</td>
<td>0.3</td>
<td>0.8</td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volumes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2001 (9.7%)
4.12. MERGES & ACQUISITIONS (M&As):

"The regulatory changes in the 1990s, viz. relaxation of restrictions on foreign investments, removal of industrial licensing arrangements, relaxation in pricing controls and acceptance of the TRIPS agreement of the WTO in the Uruguay Round, led to a shakeout in the industry and created the right environment for M&As. Initially, most of the mergers were those of the MNCs. Indian subsidiaries - an offshoot of the mergers of their parent companies. For example Glaxo (I) merged with Burroughs Welcome (I), Hoechst (I) Ltd with Roussel (I) & Hindustan Ciba Giegy with Sandoz (I).

Only a few Indian companies followed suit by acquiring other companies. Sun Pharmaceuticals acquired TDPL, Ranbaxy acquired Cross lands, Nicholas Piramal acquired Boehringer Mannheim. It may be observed here that most of the Indian mergers were strategic in nature while the MNC mergers were fallouts of their global mergers.

4.13. Strategic Alliances:

Many Indian firms also entered into strategic alliances especially with MNCs in order to achieve certain common objectives of technology sharing and market access. The most common types of strategic alliances observed in this industry are joint ventures, like Torrent's joint venture with Sanofi (France), Nicholas Parimal joint venture with Allergan. In addition to joint ventures there have been marketing tie-
ups and distribution agreements, e.g. Knoll with SmithKline Beecham, Novo Nordisk with Torrent and Knoll, Cadila with Abbott.

Recently, the Indian market has also witnessed a spurt in brand acquisitions as a strategy to drive growth. A few companies have bought out select portfolios of smaller companies to achieve growth.

Classic examples of such acquisitions are Ranbaxy's purchase of selected brands of Gufic Labs, Sun Pharma's purchase of a majority of the products of Natco Pharma and Glenmark acquiring the dermatological and cough & cold brands portfolio of Lyka Labs.

The challenges of a changing environment compel pharmaceutical companies to conduct research and development and explore new products continuously for the healthcare industry to combat multiple diseases. Over the last few years, the industry has added value through such R&D and it will surely continue to do so. However, increase in customer influence, healthcare information explosion through the Internet and fierce competitive pressure from global as well as local mega brands are creating challenges for the sales and marketing personnel to develop new strategies and approaches for selling their products and creating value through marketing.20

---

20 C D Material
The industry is poised for a shakeout as large players with deep pockets are gobbling small players. This trend, rampant in different parts of the developed world has reflected in India as well.

The merger of German Remedies and Zydus Cadila, will enable Zydus to emerge as the fourth largest company in the domestic pharma industry with a cumulative market share of 3.5% The merger of Pfizer, Pharmacia and Parke Davis would put the combined entity's revenue at Rs.634 Crs.

The most prominent merger that took place in the last two years was that of Glaxo and Smithkline Beecham. It consolidated Glaxo's position at the top with a combined turnover of above Rs.1000 Crores.

Amongst Indian companies, Dr.Reddy's took over American Remedies. Likewise, Sun Pharma had a slew of acquisitions like Gujarat Lyka Organics, Carcass Laboratories, and brands and copyrights of Natco Pharma.

Nicholas Piramal merged Rhone Poulenc with itself and later acquired Chennai based ICI Pharmaceuticals.

The activity stretched overseas with Dr.Reddy's making its first overseas acquisition by buying out Britain based BMS Laboratories and its subsidiary Meridian Healthcare for 9.05 million pounds (US$12.76 million). The BMS group produced generic drugs and has manufacturing facilities in London and Beverley in United Kingdom.
Not only in terms of acquisition of companies/division, the domestic pharma industry is aggressively looking at acquisition of brands. This is evident from the fact that over 100 brands changed hands in the last two years.\textsuperscript{21}

\footnotesize{\textit{Market Intelligence (Overall Industry Performance) December-2002 – ORG-MARG & DATA, pg:13.}}