MARKETING OF PHARMACEUTICAL PRODUCTS IN INDIA

(REVIEW OF LITERATURE)
CHAPTER-III

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Pharmaceutical marketing in India has been reshaped by the changes in the marketing concept and practice. Earlier, a set of socio-economic processes in the form of licensing, franchising, trading and selling was more important. But, now marketing is growing out from a traditional trading and sales management approach to a concept with more emphasis on product planning and development. Various environmental changes are compelling companies to look at different aspects of the marketing-mix inclusive of product, price, promotion, media mix, distribution, advertising, public relations and group selling processes etc. to build brands.

3.1 External factors Affecting Pharmaceutical Industry: Various forces shaping the environment for pharmaceutical industry can be categorized into internal and external factors. Internal factors are the factors controllable by the management and are viewed as strengths and weaknesses of any organisation. Four essential components of internal factors (product, price, place and promotion), popularly known as four P’s of marketing are part of the functional strategies and are greatly influenced by the external environment (opportunities & threats). We shall be discussing the internal factors later. First let us discuss the external factors having implications for pharmaceutical industry:

(I) Government Controls (Policies): -

The government regulates this industry with plethora of acts like industrial policy act, drug policy, Drug Price Control Order (DPCO), Bureau of Industrial Costing & Pricing (BICP) and like, which affect the economics of the entire industry.

Initially, the industrial policy was drafted and governed by the requirements of compulsory licensing in terms of the Industrial Development Regulation Act (IDRA). There was rigid control as far as pricing was concerned. Often the government would fix the price
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without consideration of actual costs and many companies used to face problems because of this. In 1980s Alembic faced the problem when sugar price kept on increasing but there was no price increase in fixed dose – syrup combinations. Another pre-requisite put up by government was to maintain bulk to formulations ratio of 1:2. Such regulations always forced the organizations to rethink their product mix.

India has an age-old heritage of trading and to make use of this large trading network multinational companies used to manufacture or import drugs in India, even during the British rule. After independence the government imposed certain duties and taxes such as Custom & Duty, Excise and Octroi on the import, production and sale of drugs. During early 80s a turnover tax was levied on traders and manufacturers though that tax is withdrawn now but as a result of various levies taxes the cost of distribution of drugs is still very high in India.

Government introduced loan license system for manufacturing to cope with the growing demand, which led to proliferation of small-scale sector to the tune of around 16,000 small units manufacturing and selling to multinational and national companies.

As there were no strong patent laws or IPA (Intellectual Property Act) Companies like Ciba & Hoechst had to close down their basic research centers in India. Unfortunately the Indian firms did not invest much in R & D resulting in their dependence on multinationals and imports for introduction of new drugs. However after India joining WTO the need for IPR has been felt and various companies are trying to cope with future challenges by investing in R & D.

Thus, government policies have shook the industry many a times and each time the industry had to try hard to readjust. Let us have a brief look at the recent changes in the budget proposal 2001-02⁠¹ and it’s impact on pharmaceutical industry: -

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(1) DPCO purview has been reduced considerably. However, government would have the right to intervene, whenever necessary. Recently, government asked the manufacturing of "Disprin" to continue the supply of the tablet regularly, in spite of low margin, as it is a basic drug for heart patients.

(2) Increase in government healthcare expenditure to Rs. 57,800 million, with special emphasis on HIV related products.

(3) Government has proposed to create a knowledge based digital library for knowledge in public domain related to pharmaceutical industry. This would act as a safeguard to Indian interests against international patent filings.

(4) It's government intention to bring the alternative systems of medicine, viz. Homeopathy and ayurvedic, at par with allopathic based industry. It has got major implication for pharmaceutical industry in terms of re looking at their product mix. Herbal and Ayurved based compositions would be fetching more margins to the manufacturing.

(5) Tax Incentives have been offered to biotech based research, and expenditure incurred on clinical trials, regulatory approvals and filing of patents. Thus, an activity which was neglected over the year i.e. R & D, will get a boost and which is also need of the hour for the industry.

(6) Dividend tax rate and corporate tax rates have been reduced. The overall in healthcare expenditure would the demand but may be restricted to certain therapeutic segments only. Most of the leading companies like Glaxo, Ranbaxy, Cipla, Dr. Reddy's Lab. etc will benefit due to reduction in number of drugs under DPCO. Moreover the tax incentives, and stream lining of R & D related activities would also have a positive impact on the companies in long run.

(II) Distribution: Another major force is the trade or distribution network, which facilitates the availability of product. A strong trading network facilitates faster growth of organization due to greater coverage. The companies initially appointed stockists, wholesalers or distributors in pharmaceutical industry and
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slowly developed their infrastructure and some even went in for backward integration by changing their focus of operation from distribution to manufacturing. As the trade became more organized and gained power, the All India Organization of Chemists & Druggists (AIOCD) was formed to provide them a platform to negotiate with industry and the government.

Thus, pharmaceutical industry is highly influenced by the operations of the intermediaries. With the growth of generic and OTC market, the intermediaries are likely to assume a much greater role in future.

(iii) International Events and its influence on Indian industry: - Certain issues like signing the WTO agreement have changed all the equations for the pharmaceutical industry in India. Indian companies have started rethinking about its product portfolio and strategic decisions have been affected to a great extent. In last five years, industry has witnessed many mergers and amalgamation so as to gain financial strength for R & D investment.

Besides, world over pharmaceutical industry is facing the consolidation trends. Big giants are also merging and such mergers of parent companies have their direct implications on the subsidiary operating in India in terms of major policy changes. Thus in a globalized economy international events play a very important role in shaping the future of the industry.

(iv) Socio-Economic factors: Various factors affecting the pharmaceutical industry include:
(a) Improved Healthcare
(b) Growing Middle Class
(c) Access to Modern Technology and Information

These factors definitely offer a great opportunity in terms of growing demand for pharmaceutical industry. Life expectancy of the country's population has
risen from 58 to 64 years and a vast middle class is emerging with rising income and better education. This is likely to provide a boost for preventive healthcare products. Besides rapid strides in information technology are also expected to help in spreading the knowledge about health, medicines, diseases, and therapies. These developments will ultimately lead to the expansion of markets for healthcare products/services. Taking advantage of the opportunity Indian companies may emerge as bulk drug suppliers to industry majors.

(v) **User, Prescriber and the Influencer relationship** (Patient, Physician and the Medical Representative):
The patient in India till date was having no influence at all on the purchase of the product. But, the changing behaviour of patients has compelled the government and the industry to take a new look at their obligations towards the society. Now consumer movement is gaining momentum in India. Kerala and Gujarat are the two states that took initiative in this direction. Besides, education is also increasing. Due to the awareness, there is enormous change in the attitudes of doctors as well as patients.

If we have a look at the scenario regarding patient education in developed nations like US, then we find that in US companies are allowed to directly advertise the products to consumers. In U.S. from 1999, food and Drug Administration (FDA)\(^2\) has issued guidelines that permitted the drug makers to specify the uses of their prescription remedies in their radio and television advertisements, thus the pharmaceutical industry is now able to use direct-to-consumer (DTC) marketing. The compounded annual growth on DTC spending is increasing at the rate of 57 % in USA. The table 3.1 clearly reflects the amount spent by big organization on DTC, which shows how serious they are about it and how important the patient is in the final purchase of the product.
TABLE 3.1
GROWTH OF DTC SPENDING

<table>
<thead>
<tr>
<th>Big Spenders</th>
<th>$ Million</th>
<th>Year</th>
<th>No. Of Products with more than $ ml</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schering-Plough</td>
<td>2300</td>
<td>2000</td>
<td>48</td>
</tr>
<tr>
<td>Glaxo Wellcome</td>
<td>1172</td>
<td>98</td>
<td>48</td>
</tr>
<tr>
<td>Astra Zeneca</td>
<td>844</td>
<td>97</td>
<td>51</td>
</tr>
<tr>
<td>Pfizer</td>
<td>596</td>
<td>96</td>
<td>46</td>
</tr>
<tr>
<td>Merck</td>
<td>313</td>
<td>95</td>
<td>NA</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>242</td>
<td>1994</td>
<td>NA</td>
</tr>
</tbody>
</table>


In India at present it is not allowed to advertise pharmaceutical products. But there are few arguments in its favor. In India, self-medication is on rise. There is a huge OTC market developing very fast. Once the medical insurance sector will open, consumer's capacity to spend on healthcare will improve. Thus our society is developing in western style. This once again is going to change the scenario for pharmaceutical industry as far as its ultimate consumer i.e. patient is concerned. In India companies like Boehringer Mannheim and Cipla have already started communicating with patients directly for their antidiabetic diagnostics and anti-asthmatic products respectively. Thus, days are not far, when patients may be one of the regulating forces of the Indian Pharmaceutical Industry.

Medical Profession is another force, which is driving companies to improve upon their information base as well as communication and marketing strategies. As the number of physicians is increasing companies are getting selective in terms of product portfolio.

to be targeted. Besides, physician’s response to old and new molecules, usage/adaptation of various combinations etc. helps companies change their products. Medical Representatives being a human force, their motivation and development should always be an integral part of the marketing mix. Some companies like Cipla and USV tried to alter their media of communication by using direct marketing and courier sampling to the physicians. But this strategy is yet to develop in India. Thus, medical representatives still remain an important media for communication.

Thus, the success of pharmaceutical marketing is driven by several forces like change in disease incidence pattern, opening up of the health insurance sector, return of complimentary medicines like Ayurveda, adoption of a strong patent law, impact of information technology, institutional business due to choice of branded generics, generics and patented products, change in the behavior of consumers etc.

Any company willing to survive in this changing scenario will have to balance all these forces. To achieve a competitive advantage it will have to identify the critical success factors for marketing such as innovative domestic marketing due to tough competition in branded business, changing strategies for marketing to hospitals due to medical insurance, entering into co-marketing due to patents and essential marketing rights (EMRs), identifying the fragments of Indian population in terms of rural and urban marketing, adopting strategies for generic marketing, international marketing, database marketing etc. Those who understand the impact of all these critical factors and work out the strategies will not only survive but progress also in the coming ten crucial years.

Before we discuss the marketing mix strategies being adopted by Indian companies it would be essential to discuss some of the important marketing decisions and the relevant marketing concepts like market research, market segmentation, product positioning, product life cycle concept, data base marketing, relationship marketing etc.
3.2 MARKET RESEARCH AND DATA BASE MARKETING

As the market has entered a phase of dynamism where everything changes very fast, one cannot simply rely on experiential decisions or advices. That is why market research has become important for all. Smarta (1998)\(^3\) has observed that market research helps take sound decisions after understanding the problems with respect to organization, customers, products, brands etc. It helps management in estimating market potential, ways to positioning, advertising or pricing a product. It helps in analyzing past mistakes and reshaping the future strategies.

But, simply collecting the data is not sufficient. Many companies simply purchase data from ORG, C-Mark kind of firms and store it in their computers with hardly any use. But there are serious organizations as well like Cadila Healthcare (Zydus Group), which not only analyse the data in brand manager's meetings every month, also works out action plans based on these analysis. Following are some of the specific areas of research for pharmaceutical companies:

1. Usage and attitude studies of a speciality segment to revive a particular brand.
2. Understanding the changing environment and its impact on established as well as new brands.
3. Finding out perceptions of customers about various combinations and accordingly position your product.
4. To study the prescription behavior to identify relationship between sales and the age of the product/brand, promotional support, role of retailers etc.
5. To test the visual aids and attribute communication devices for detailing of a product so as to make the presentation and message clearer.
6. To study the retailer behavior specifically in case of OTC products and seasonal products.

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Every organization must exploit the potential of market research and should consider it as a growth investment. ORG-Marg is the oldest and largest marketing research agency in South Asia and the only market research company in India to get ISO 9002 Certificate. This company does regular prescription watch, retail audit, and doctor's survey for Pharmaceutical industry and industry is heavily banking on it’s services. Recently ORG MARG has launched Doctor India.Com—an exclusive Internet club for doctors. Company also prepares a report called Dr. impact, which tracks the doctor profiles. The report covers following aspect:

(1) Personal Profile: Residential and Clinical Address, E-mail, Tel.,
    Names of hospitals to which attached
(2) Practice Details: - Total number of patients per week
    - New patients per week
    - Age wise patients contribute
(3) Prescription Pattern: - Top five brands
    - Prescription shares in each category
    - Top three brands in each therapeutic segment
    - Approach towards generic drugs
    - Patient age wise prescription pattern
    - Reasons for shift in molecule preference
(4) Psychographic Profile: - Price sensitive
    - Academic orientation
    - Gift Sensitive
    - Sample oriented
    - Adaptability – early or late
    - Approach towards new molecules

Such profile help companies target their products and decide upon the communication and promotional programme. ORG-MARG also conducts census of doctors in India in collaboration with Indian Medical Association (IMA). It builds up huge database of doctors with details of their personal life styles.
Unless one has properly studied the customers, it's going to be a futile exercise to market any product. Therefore, it is important to identify customer base, study characteristics and then decide to market the product as per the requirement/need of the customer. For this, there is need to collect facts. As a leading consultant for pharmaceutical industry Smarta (1998)4 has observed that as soon as an organization starts using the facts for it's decision making, immediately the impact is felt in terms of more accurate objectives and it's fulfillment, focused efforts, maximization of potential, minimum waste of resources and great job satisfaction for the field staff.

The process of data collection incorporates industry trend analysis. In pharmaceutical industry secondary data with respect to various therapeutic groups and territories is collected. Further, the parameters are to be identified which needs to be studied for an organization to establish a customer base. In case of a doctor one needs to know his speciality, convenient time to call upon, his prescribing behavior, his prescription generation capacity, psycho-graphic characteristics like open to gifts or incentives or not, academic orientation etc. Once these parameters are identified, they are assessed to evolve an accurate and updated database. Next stage is one of the very crucial stages wherein you design the research methodology to carry out the survey. Then comes the stage of data collection and developing the segments on the basis of potential. So at this stage you decide the categories of doctors (A+, A, B etc.) based on their prescription power. Unless the data collected is used in a fruitful way the whole exercise done previously is going to be useless. Thus, the last stage in the process of developing customer database is of using the data so as to achieve the objectives.

Market can be defined (Kotler, 2000)5 as a group of present and potential customers. From pharmaceutical marketing point of view the definition of market (Smarta 1998) is

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4 Smarta R. B., 1998
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a group of present and potential customers who have desire to prescribe, stock or dispense products/brands, and those who have prescription, dispensing or stocking power. It is therefore essential to qualify each market and analyze it in quantitative terms. The value of database will be realized when it is recognized that each and every territory is different and also a shift in the territory over a period of time. This gives the medical representatives an idea as to how to calculate the return on their time invested with doctors and thereby contributing to achieving the market share. This exercise of developing database is very much essential for any company before it starts any marketing exercise. Intense competition in pharmaceutical industry makes it all the more important.

Chaudhary (1999)\(^6\) has mentioned that Innovative way of collecting information if implemented with a clear objective in mind achieves great results. One of the leading companies in pharmaceutical industry 'Cipla' started direct marketing as they call it while using multi media marketing in 1991. Before they implemented/launched direct marketing they did lot of preparation and prepared software and hardware at each of its branch to create a database of doctors. The company needed the categorization of doctors based on speciality and other relevant details for which reply-paid postcards were mailed to doctors to get basic details-like doctors complete address, telephone no., date of birth, wedding anniversary data, hobbies etc. on one side and on other side the information or services he expects from Cipla. This gave Cipla a good database, which was immediately entered and updated. Based on this information the doctor's were then classified into A+, A and B categories depending on the speciality. At that time mail merging and data filling system was available in computers. The administrative staff was trained to send direct dispatches to doctors. For this a computer program was developed to deal with the burden of creating a mail list and increase number of dispatches. The objective was of sending at least one dispatch to every doctor every month. These dispatches were sent through courier. Cipla also recruited management trainees (Management Graduates) for the first time who were

\(^6\) Choudary Pavan, The Rx Factor-Strategic creativity in pharmaceutical marketing, Response Books, New Delhi, 1997, pp132
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given the designation of management trainee-customer services. Their responsibilities included calling on A category doctors, sending direct dispatches, doing prescription watch at the chemist counters to collect information on doctor's prescribing behavior, arranging doctor's meeting of various specialities etc.

Once the database was established, then came the implementation stage wherein samples and literatures were sent to doctors according to the speciality and classification. Apart from samples, literature, newsletters, booklets, medical flash series etc. were also sent. In case of unaccepted parcels, a feedback system was also formulated to find the reason behind it. Telephone calls were made to find the response of the doctor. This system really helped company gain attention and popularity among the doctors. Various new products like Ciplox eye drops were launched and reminders were sent based on this customer database. The information collected of this kind helps the representative anticipate the behavior of a physician in advance and accordingly be prepared before making a call. The study of each parameter will prove to be useful for the field staff. Such is the importance and impact of a customer database.

The way Cipla used a particular method of developing the database, there are several other methods used in the industry to form customer database. These are: -

(i) Retail Chemist Prescription Audit: - It identifies the major competitive prescribers in a particular territory and quantity of prescriptions generated by doctors for a particular therapeutic segment. From class retailers a quick assessment of physicians is done and it gives a trend, which can be crosschecked, from other retailers.

(ii) Continuous Prescription Audit is also conducted wherein every month a decided number of prescriptions are scrutinized to identify the customer base.

(iii) Stockists Continuous Audit: - By scrutinizing the supply end it can be identified whether the information collected at the retail chemist prescription audit was accurate or not.
(iv) Speciality Survey: - The product portfolio of most of the companies would be skewed towards one, two or more specialities like Glaxo is a company catering to general practitioners and physicians, Torrent specializes for psychiatrists and cardiologists, likewise. Thus companies collect information (detailed) about the specialists and try to obtain the different behavior exhibited by different specialities. This data further helps companies in carrying out the qualitative researcher well.

3.3 MARKET SEGMENTATION

Customer oriented marketing focuses on the variation in customer’s response to a marketing mix. According to Kotler (1999, p 256)\(^7\) a market segment consists of a large identifiable group within a market with similar wants, purchasing power, geographical location, buying attitudes, or buying habits. Thus marketers carry out market segmentation by dividing the total market for a product or service into several smaller groups, such that the members of each group are similar with respect to the factors that influence demand.

The purpose of segmenting is sub grouping in such a way that the product/marketing manager is able to design a marketing mix, which matches the needs of individuals in a selected segment. A good segmentation scheme is one that identifies segments, which are homogeneous within the segment, and heterogeneous across segments.

In the Indian Pharmaceutical environment, if one selects 20-25 Class A Physicians in each territory and considers it as the ‘Core Segment’, then the efforts directed towards these physicians may not prove fruitful, as there are so many competitors all trying to gain market share from the same core segment. Thus concentrating on the same segment, which is over-crowded will no longer work.

\(^7\) Kotler Philip, 1999, pp 256
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On the other hand, if one thinks no segmentation is needed and looks at each physician, as an average, will also not work. Then, what is more important is understanding the key issues related to segmentation in pharmaceutical industry. The relevant factors affecting the segmentation concept are as under:

A. Focused Approach: - Clearly identifying the target and concentrate on this focused group is necessary. It might be risky but will produce great results, because all products may not be prescribed by all doctors. Though Glaxo used this strategy with general practitioners i.e. exposing all the products to all doctors, but it depends upon the maturity of the market and also company's product mix. But surely, the companies with a well-trained field force cannot resort to hit and miss strategy based on random selection. They have to be focused. Besides the core group of doctors gets attention from all. So, the kind of resources you need to satisfy them has to be very high. The companies will not only have to identify the core group but also the second line of defense i.e. the 'would-be- Core group' i.e. tomorrow's doctors. Such type of focused approach with futuristic vision can help companies identify the right segment for today and tomorrow.

B. Specificity: - While segmenting one always faces the problem of overlapping. Some overlapping always takes place but it should not affect the specificity. A brand loyal doctor may become a corporate loyal also over a period of time. To convert the specialities into corporate loyal one may put in efforts. While doing this whether you are diluting the target group or not that care should be taken. For e.g. while targeting specialist gynecologists in a given territory, if you start considering those general practitioners who have a predominant female practice, then do you expect the same results as you anticipated? Apart from this the geographical disparities are also to be taken into consideration. The segmentation strategy needs to be adjusted to local situations.
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C. Commitment of the field force: - It is very important to develop skills to cope with new challenges. These skills are to developed and nurtured among the Medical Representatives. Otherwise, the Medical Representatives keeps on emphasizing on his favorite set of doctors and the process of segmentation gets diluted. Besides, the company also needs feedback to check the appropriateness of the segmentation approach, which is possible only if your field force is effective and clear about segmentation benefits.

Having understood the factors affecting the segmentation concept, let us now examine the various segmentation methods. Philip Kotler (1999) has given various bases for segmentation. An attempt has been made to apply these bases in pharmaceutical marketing:

❖ **Demographic Segmentation:** This method of segmentation involves dividing the market based on age, sex, and education, size of practice, location and specialization. There is a further need to segment these demographic segments with other psychographic criteria. A doctor in a rural town will differ in prescribing from one in a city. The age, education and number of patients a doctors treats in a day form important criterias to judge his potential. Income level of the patient is also one of the criteria as depending upon the paying capacity the patient will either select a doctor with high/low fee and also the one who prescribes cheaper/costlier drugs.

❖ **Geographic Segmentation:** This involves subdividing the market into regions, cities, districts and villages. When resources are scarce, marketing efforts are inevitably concentrated on high yield prescriptions. These markets can be clubbed depending on their rural or urban criteria. In some specialties urban, sub urban and rural criteria are more useful. An example has been given by
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Smarta (1999)\(^8\) ie for specific ailments like jaundice, thyroid special investigations like SGPT, T1, T2, T3 is needed and this facility may not be available in a rural area or sub urban or sometimes small towns, so the GPs refer the case to urban areas. Therefore, depending upon such needs, it is possible to segment markets based on the geographical locations.

❖ **Socioeconomic Segmentation:** Some factors like industrialization, pollution levels, lifestyles of individuals, disposable income also helps divide locations into clusters so as to become target segments. Patients living near cement plants, mines, diamond-cutting factories develop different lifestyle and doctors also develop a particular prescribing habit. The areas where disposable income is high, the patients as well as doctors are less price sensitive, more prove to lab tests, nutritional supplements, regular and frequent hospital visits for check-ups etc. This offers a different segment to pharmaceutical companies.

❖ **Psychographic Segmentation:** Another very important criteria for segmenting the market is based on psychographics. Operation Research Group continuously carries out this exercise and provides companies with the doctor's psychographic profiles. Accordingly doctors can be categorized as experimentalists/innovators (eager to try new drugs), progressive (positive towards clinical trials), hospital doctors (believe more on formal methods of education and skewed towards generics), overstretched (very busy and interested in concise presentations of new drugs), self-satisfied type (not interested in doing something new), philanthropic type (help society through camps etc.), Commercial type (do anything to make money), and undecided or disillusioned type (not happy with the environment).

\(^8\) Smarta R. B., 1999
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Each category of doctor has a separate set of requirement and pharmaceutical companies prepare their communication strategies for each category based on this profile.

🔹 Sensitivity: The response of a physician to prescribe or dispense depends on his/her relative sensitivity to a variety of promotional tools and the attributes/galenical forms of a product. Let us discuss these promo tools and sensitivity of physicians now:

(i) Sensitivity to sampling: Sensitivity of the physician would be high in case of injectables as compared to tablets as far as samples are concerned. Thus samples assume greater importance if speed of action increases i.e. in case of injectables.

(ii) Sensitivity to price: The GPs operating in rural area are more sensitive towards the special price or discounts as they purchase bulk pack of tablets/liquid preparation to dispense to their patients.

(iii) Sensitivity to price and dosage of a product: In case of continuous use/long therapy sensitivity towards price would be higher as compared to single dose use. For e.g. breast cancer therapy lasts for at least six months, thus the physicians look for economy from his customer’s point of view.

(iv) Sensitivity to wider usage and availability of forms of a product: A physician is more comfortable while prescribing when he knows that product is available in all galenical forms i.e. tablets, capsules, injectables, syrup etc. as it can be given to all age groups. Wockadine is an excellent example of this sensitivity.
According to Kotler (1999, p. 298)\(^9\) positioning is an act of designing the company’s offering and image to occupy a distinctive place in the target customer’s mind. According to Kotler, Modern marketing is a three-step process acronymed as STP: Segmentation, targeting and positioning. Earlier we discussed segmenting i.e. dividing the market into different subsets, in the context of pharmaceutical marketing. Focusing all the marketing efforts on that segment is known as targeting. Finally positioning the product in the mind of the targeted customer is the activity through which you a base to position the product. For this purpose, one needs to have substantial knowledge to differentiate your product from others in the consumer's mind. So, it is the perceived associations and image of the brand, which is more important, rather than any unique feature of the product. The differentiation can be used with respect to the company's resources, commitments, strategies of company as well as competitors etc.

In pharmaceutical industry a company if possesses unique skills like special R & D capabilities, specialized knowledge of doctor's needs or an established relationship with the trade or customer, it can prove to be a sound base for a sustainable positioning strategy. Positioning strategies in the pharmaceutical industry will be generally built around the technical aspects of the product. A new product will surely have a clear-cut differential advantage but in introducing a me-too product there is much greater a challenge. After the patent regime, then the emphasis would be surely on R & D capabilities of the companies. But as far as generics are concerned, there is huge potential which Indian companies can take advantage by their

\(^9\) Kotler Philip, 1999, pp 298
right positioning strategies. According to Smarta (1996)\textsuperscript{10} in pharmaceutical industry companies use the following positioning strategies: -

(i) **Specific technical attribute as a base**: - Most frequently used positioning strategy wherein efficacy, less side effects, higher tolerance levels etc. are some of the unique attributes which make the product distinct.

(ii) **Use or Application Based**: - A convenient dosage form like ‘once-a-day’ dosage can be used as a positioning strategy. Cipla and Ranbaxy made their co-marketing arrangement and introduced Ciplox-OD in October 2001\textsuperscript{11} using the similar positioning strategy. Besides the broad range of galenical forms can also be used i.e. the same product can be offered in tablet, syrup, injectible form slowly. Wockadine was first introduced as an antiseptic in solution form, then ointment was introduced, then came gargles and finally surgeon’s scrub was introduced which doctors use to wash their hands before surgery.

(iii) **With respect to end-user/patient**: - Drugs can be positioned as most appropriate for minor or major degree of diseases, acute or chronic sufferers, adult or children or young etc. Later in the product life cycle stage it can be applied for a large section also. In nutritional supplements also, companies introduce products for infants, children, adolescents, adults, pregnant woman, old patients etc.

(iv) **With respect to a Competitor**: - A me-too product has an advantage over the innovator if it can add some benefit to the already existing image of the established brand. An excellent example of such positioning strategy is of combiflam, which enhanced its image by adding paracetamol as against Brufen, which was introduced first.


\textsuperscript{11} EPP News Bureau, Express Pharma Pulse, Oct 2001, pp 1
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(v) **With respect to a product class:** - Drugs can be positioned as first in their respective new product classes e.g. Cifran in the class of antibiotic, Zinetac as H2 antagonist and Inderal as betablocker.

(vi) **Marketing-Mix Variables:** - In case of generic as well as branded products price is one of the key elements for positioning. Innovative packaging can be another way to differentiate. One can create a distinct image by the size and quality of its sales force. For institutional buyers companies can position the products based on instant delivery frequent buying patterns, custom-made services and so on.

(vii) **Sense Appealing Variables:** - A favorable visual impact, smell and taste, smoothness of powder, catching brand name are some attributes which appeals to our senses and becomes base for positioning. Medical Representatives from Cipla used to take out powder from the capsule and used to request doctors to feel the smoothness of it by touching as this product was to be inhaled by Asthma patients specially children. Glaxo had come out with an inhaler for children with a whistle thus children will have fun while inhaling. The Medical Representatives should be trained to ensure desired impact during demonstration or discussion.

(viii) **Demonstration outside the clinics:** - In physician's conferences or at street corners or outside big hospitals some companies demonstrate the products like protinex milk shakes, Ferradol etc. Companies having sound OTC portfolio use such positioning strategies to leave an impact.

(ix) **Positioning through Mnemonics:** - It is a very unique positioning strategy to project a mnemonic as a reminder of a brand. If the idea clicks well the mnemonic provides brand recall forever. Anacin used mnemonic of four spread out fingers for brand recall and Trika (Anxiolietic agent by Unisearch) used butterfly logo on a fingertip proved to be highly successful. The butterfly logo symbolizes sunny carefree days full of tranquility, elegance and poise. Doctors can
associate such mnemonics for brand recall and it gives the company a unique relative advantage over competitors. Thus Pharmaceutical companies use various positioning strategies to reach out to the target audience in an effective way.

3.5 PRODUCT LIFE-CYCLE CONCEPT

The popular life cycle concept of a product can be kept in mind while deciding upon the marketing strategies for pharmaceutical products as each stage represents different marketing challenges. At the introductory stage of the cycle the objective is to create awareness and achieve acceptance from opinion leaders and early adopters. Severe competition is forcing the companies to take as effective steps as possible so as to gain maximum market acceptance during the introduction stage. As it is no more a survival of the fittest but it is now survival of the fastest. Now the drug discovery is not important but to make the world aware of this discovery is more important and makes all the difference between a successful and a not so successful drug company.

Chart 3.1 depicts a typical product life cycle curve and table 3.2 depicts the communication media used by companies during the various life cycle stages of a product as analysed by smarta (1996, pp 168).  

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12 Smarta R. B., 1996 pp 168
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Chart 3.1

PRODUCT LIFE CYCLE CURVE

<table>
<thead>
<tr>
<th>SALES</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIME</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
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<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

1. Introduction  2. Growth  3. Early Maturity  4. Late Maturity  5. Decline
### TABLE 3.2

**COMMUNICATION MEDIA AND THE PRODUCT LIFE CYCLE**

<table>
<thead>
<tr>
<th>Media</th>
<th>Stage of Product life Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-launch</td>
</tr>
<tr>
<td>1 Sales force</td>
<td>2</td>
</tr>
<tr>
<td>2 Journal Advertising</td>
<td>4</td>
</tr>
<tr>
<td>3 Mailings</td>
<td>3</td>
</tr>
<tr>
<td>4 Conferences and Symposia</td>
<td>1</td>
</tr>
<tr>
<td>5 Clinical Trials</td>
<td>1</td>
</tr>
<tr>
<td>6 Promotional Trials</td>
<td>1</td>
</tr>
<tr>
<td>7 Samples</td>
<td>2</td>
</tr>
<tr>
<td>8 Gifts</td>
<td>1</td>
</tr>
<tr>
<td>9 Newspaper Ads</td>
<td>1</td>
</tr>
<tr>
<td>10 Free-Standing Supplements</td>
<td>1</td>
</tr>
<tr>
<td>11 Telemarketing</td>
<td>1</td>
</tr>
<tr>
<td>12 Video Conferencing</td>
<td>1</td>
</tr>
<tr>
<td>13 Video Cassettes/Magazines</td>
<td>--</td>
</tr>
<tr>
<td>14 TV</td>
<td>1</td>
</tr>
</tbody>
</table>

**Source:** *Strategic Pharmaceutical Marketing, R.B. Smarta, PP 168*

1. Most important
2. Important
3. Not important
4. Least important

In table no. 3.2 the importance of the different means of communication at every stage in the product life cycle has been illustrated which clearly shows that other promotional tools play major role at the pre-launch stage but sale...
force becomes the most important media in the introductory and growth stages of the product. Later in the maturity and decline stage other impersonal media is more used so as to reduce cost. Thus the marketers develop the most appropriate communication mix on the basis of the needs of the product.

To understand all the factors affecting marketing of pharmaceutical product, we shall now be discussing the various marketing mix strategies being practiced by Indian companies.

3.6 MARKETING MIX

According to Phillip Kotler, “Marketing Mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market”. Further, McCarthy has classified these tools into four groups popularly known as four Ps of marketing. Management needs to design a marketing mix to satisfy the needs of the target market and achieve its marketing objectives. These four Ps are the combination of a product, its distribution, promotion, and its price. The broad classification and marketing variables under each element are as under:

(1) **Product:** - Which will include managing existing products over time, adding new ones and dropping unprofitable products. The variables under this element are product variety, sizes, quality, and design.

(2) **Price:** - Pricing strategies will be crucial for a new product entering the market for the first time and then adopting different pricing strategies at different product life cycle stages. Pricing strategies will vary based on customer locations, flexibility needed for different items within the same product line and also for different terms of sale. The important variables are list price, discounts, allowances, payment period and credit terms.
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(3) Placement: - will involve the management of channels/intermediaries and important variables are channels, coverage, assortments, locations, inventory, transport, order processing, warehousing etc.

(4) Promotion: - involves utilizing a promotion mix of sales promotion, advertising, personal selling, public relations and direct marketing.

Each element in the marketing mix is inter-related and any variation in any of the mix has an effect over the other. Each of the variables in the marketing mix has been elaborated upon from pharmaceutical marketing point of view so as to have a better understanding of the same. Let us now discuss all the four P's of marketing i.e. product, price, place, and promotion.

3.6.1. PRODUCT

A product is anything that can be offered to a market to satisfy a want or need. According to Stanton (1994, pp210)\textsuperscript{13} customers are not buying a set of attributes, but rather benefits that satisfy their needs. The Marketer has to think in terms of five levels of the product. In case of pharmaceuticals, the core product for the patient is better health and living with less pain. The basic products are several medicines in dosage forms such as tablets, capsules, liquid, oral, parental, ointments, lotions, and inhalers etc., which are used for the treatment of patients. The expected product by the customer i.e. the doctor in case of pharmaceuticals will be the one which provides relief to his/her patients in less time and less money (more relevant in Indian conditions), having less side effects and in convenient dosage form.

The augmented product is the stage where companies generally compete with each other. Pharmaceutical industry, being a highly competitive industry, is continuously trying to offer better value to their customers, in terms of faster relief (e.g. anti-ulcer or anti-acidity drugs), broad spectrum anti-biotics (can be prescribed for various problems

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e.g. Ciprofloxacin and Norfloxacin), more convenient dosage forms as compared to existing (e.g. Ciplox-OD has been recently launched by Ranbaxy and Cipla under a co-marketing arrangement which is once-a-day dosage), better taste and attractive product specifically in pediatric range (e.g. Asthalin Inhaler with a whistle) etc. These are few examples of augmented products. Augmented product does bring an increased price with additional benefits; thus, it is the target segment, which is more important. In pharmaceutical industry, new generation drugs keep coming to the market, but older generation drugs are not dropped from the product line. Rather, companies wait for a product's patent to expire, so that they can sell their generics at lower price to the lower segment of the society. Ultimately, it is the potential product, which companies can offer with all possible developments. In pharmaceutical industry companies can offer better product by investing in R & D and D & D and there by coming out with new chemical entities for the same disease which might be offering faster recovery, less pain, more convenience or even less price sometimes.

PRODUCT MIX

Kotler (2000, p 398)\textsuperscript{14} has defined product mix as, "the set of all products and items that a particular seller offers for sale". In pharmaceutical industry there are wide range of products for different therapeutic segments like anti-biotics, anti-ulcerants, anti-TB, anti-cancer, vitamins etc. Some companies like Cipla have very broad products lines catering to the needs of almost all the segments and others might specialize in particular segments depending upon the availability of resources. After selection of product-mix, the product strategy is oriented towards introduction of new products, improvement of existing products and planned elimination of obsolete products. Pharmaceutical industry caters to a wide variety of diseases, out of which some diseases are common and others are rare. The drugs have been classified into different categories based on the need to treat the disease, for e.g. anti-biotics are

\textsuperscript{14} Kotler Philip, 1999, pp 398
used for bacterial infections, anti-hypertensive drugs for high blood pressure, vitamins for nutritional supplements etc. At the level of the product mix and business portfolios of the company as resources are always limited, have to be carefully allocated to the opportunities judiciously. Thus, priorities have to be established for the businesses and product portfolios.

The product mix of a company decides upon the profitability of the company. The company decides upon entering into a particular therapeutic segment based on the volume of that segment, competitor’s presence and positions, profit margins and rate of growth. The following table reflects on the market share and the leading therapeutic segment in the Indian market as surveyed by ORG-MARG.\(^{13}\)

**TABLE 3.3**

**TOP-SELLING FORMULATIONS**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Therapeutic Segment</th>
<th>Market Share (In Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Antibiotics</td>
<td>16.1</td>
</tr>
<tr>
<td>2</td>
<td>Cough Preparation</td>
<td>6.8</td>
</tr>
<tr>
<td>3</td>
<td>Vitamins</td>
<td>5.8</td>
</tr>
<tr>
<td>4</td>
<td>Anti-Inflammatory</td>
<td>4.9</td>
</tr>
<tr>
<td>5</td>
<td>Antacids</td>
<td>4.5</td>
</tr>
<tr>
<td>6</td>
<td>Cardio therapeutics</td>
<td>3.6</td>
</tr>
<tr>
<td>7</td>
<td>Tuberculosis</td>
<td>3.3</td>
</tr>
<tr>
<td>8</td>
<td>Anti-anemic</td>
<td>2.6</td>
</tr>
<tr>
<td>9</td>
<td>Analgesic</td>
<td>2.5</td>
</tr>
</tbody>
</table>

*Source: Market Intelligence Report, ORG- MARG, 1999.*

After analyzing the product portfolios of the companies let us discuss other group of products, which are incorporated in the company’s product profile more often.
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ME TOO PRODUCTS

The products, which are high in demand and are less costly, will face competition from many me too brands. There would be large number of manufacturers and marketers in this product category to tap the opportunity of increase in sales volume, market share and profitability. Till now in India, due to existence of process patent, me too products used to flood the market once a product was successful. Sometimes more than 200 brands might be competing with each other for the same molecule. The reason is there are almost 24,000 companies in India. The highly competitive nature of the industry has forced the companies to look for only a share in the market (not the leader, follower or niche strategy). The aim used to be to obtain a "share of mind" of a doctor. But now with the introduction of product patent, companies will have to take a fresh look at their strategies related to me too products.

OTC PRODUCTS

Till recently, companies were not promoting the OTC products. More emphasis was placed on ethical products. Some companies didn't even have OTC products in their portfolios. But, like me-too products, companies need to change their strategies regarding OTC products as well.

The OTC market in India is developing rapidly. Since people buy OTC products directly from chemist's shop, their sales are not dependent on medical prescription. But in India, as legal laws are not very strict, all the brands except for few dangerous/risky products are sold without prescription. Smarta (1999)\textsuperscript{14} has categorized the Indian OTC Market as under: -

\textsuperscript{13} Market Intelligence report, ORG-MARG, 1999  
\textsuperscript{14} Smarta R. B., The OTC Opportunities, Advertising & Marketing, June 15, 1999, pp 30
(a) **Self Medication:** -
The customers who go for self-medication are aware about general illness symptoms and remedies. They gain this knowledge through experience, word-of-month, memory of old prescriptions etc. Not only the low-risk-type products like Benadryl, Betnovate, Unienzyme etc. products for more serious symptoms (Cough, Stomach pain, Fever etc.) are also purchased directly from chemist store.

(b) **Advertised OTC Products:** -
The companies advertise medicines such as Disprin, Crocin, and Anacin, which encourages the patients to go to the chemist and ask for it. More and more companies now want their brands to become OTC. Novartis last year could make its calcium Sandoz an OTC brand and this year they are planning to make their Otrivin nasal drops an OTC brand.

(c) **Recommended by Doctors:** -
This category includes products recommended by doctors but not prescribed. Medicated Soaps, cooking oils, Junior Horlicks, Vicks Vepo syrup are such examples and are advertised also.

According to a survey conducted in south India in June 1999 by Inter link, one of the Bombay based pharmaceutical consultants, products related to cough, cold, analgesics, gastrointestinal, and anti-fungal remedies have a good OTC market and the leading brands identified were Benadryl, Delitus tablets, Coldarin, Wikoryl, Combiflam, Brufen, Novalgin, Lomotil, Gelusil, Candid, Zole and Canesten. Besides, in India, many herbal remedies like Smyle, Mouth Ulcer Gel, Zandu Pancharistha, Safi, Zandu Balm, Vicks herbal drops have a huge OTC market potential.

(d) **Under the Counter:** -
In India, it is a huge market due to less number of doctors and less income of patients. In absence of legal laws, under the-counter sale goes on. This
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possesses a great threat to the society wherein ignorant patients will suffer. But, this also raises a question or an opportunity for the success of OTC product in Indian Market. Healthcare is a universal need and if a company can capitalize on this opportunity and offer a powerful, safe and economic OTC brand, then the unexplored OTC market can be tapped. For responsible self medication, companies will have to arrange self medication camps for patients, arrange relevant knowledge based programmes, provide appropriate incentives to retailers, obtain cost leadership in manufacturing, provide acceptable quality in mid-price range and offer multi-level education programmes etc.

India is a huge country and ethical medicines do not reach everyone. Thus, there is a huge market for safe and economical OTC drugs. Pharmaceutical companies have realized this fact and are trying to come out with herbal based drugs so as to en cash upon this opportunity. It is also easier for companies to build corporate image through OTC products which is not possible in case of ethical products. It offers better profitability due to easy technology, less cost and higher volumes. In addition, distribution channels will also support a low price high volume product.
PRODUCT LINE DECISIONS

The company can expand its business adding more products to their existing product lines i.e. offering more variants in the same line or by adding new product lines. Due to high degree of competition every pharmaceutical company aims for the market share and would like to improve upon their position through product line extension strategy. But the concept of product line in pharmaceutical industry is very different in the sense that one product may cannibalize the other. For e.g. company might have one product the action of which covers specific spectrum and it will introduce another product having a broad spectrum, which is a line extension. Both the products might be doing well.

Another example of a line extension in pharmaceutical industry can be in the form of introducing combinations. Tetracycline is one product in anti-biotic segment and Vitamin C is another line. Sarabhai had introduced a combination of anti-biotic with Vitamin C. Previously paracetamol and pain-killers were the product lines. Now, combination of paracetamol and a painkiller like Ibuprofen and paracetamol (brand name Ibugesic) is very popular and such combination provides competitive advantage in terms of differentiation. Differentiation strategy is most commonly practiced in pharmaceutical industry. Companies try to differentiate (Deshmukh, 1996) themselves either through uniqueness of the product or low cost of the product or consistent quality or through strong capability in basic research thereby introducing newer and newer products.

NEW PRODUCT INTRODUCTION

Indian pharmaceutical industry registered a value of Rs. 7194 crores and witnessed a value growth of 6.8 percent during the period Jan-June 2001 (Marketing Intelligence Report, ORG MARG, 2001). During the same period, 654 new products were introduced, which resulted into a value growth as high as 63 percent. The performance of the older
existing products was the key factor responsible for low growth in the industry. The growth of 6.8 percent was solely because of the new product performance. This shows the importance of new products for industry.

According to the ORG-MARG survey\textsuperscript{17}, 94 companies out of 267 monitored, have witnessed de-growth and 23 out of 84 broad therapeutic segments have registered a de-growth. But it is the new introductions and price increase, which have emerged as the primary factors for growth. In the year 2001, following segments proved to be growth drivers:

1. Antidiabetics: Oral antidiabetics (new molecules like repaglinide, rosiglitazone, plotlitzazone
2. Hypotensives: Combinations like atenolol, amlodipine, Ace Inhibitors (ramipril)
3. Anti-inflammatory, NSAIDs, like Rofecoxib antirheumatic drugs
4. Vitamins: Antioxidants
5. Cardiac Therapy: Betablockers- Carvedilol, Atenolol
6. Antianaemics: Laematinics- oral iron combinations
7. Cholesterol: Statins like atorvastatin, Simvastatin Reducers
8. Antiasthmathics: Bronchodilator inhalants

The therapeutic segments like antibiotics, cough preparations, antidiarrhoeal and antacids registered continuous slow down. During this period new introductions were very high and due to these new introductions only industry could register 6.8 % growth. Cipla, sun and Micro were the top contributors to value growth. Cipla was ahead in terms of new introductions, but Torrent, emerged as a winner in terms of average value earned per new introduction and it was Rofibax brand (from Ranbaxy), which was ranked first among all new introductions in terms of average value per month.

The chart 3.2 reflects the contribution of existing product vis-à-vis new products to the incremental value.

\textsuperscript{17} Market Intelligence Report, ORG-MARG, 2001
It is clearly reflected that the new product contribution to the incremental value is on a rise commensurate to the increased number of new introduction over the year. The existing products have contributed 37 percent to the incremental value while 63 percent contribution comes from the new products. The situation used to be vice versa in the earlier years. Thus the major concern is the poor contribution of the existing products in terms of the incremental value, which has resulted into a low growth of 6.8 percent. Only 171 crores were added by the existing products which is significantly low as compared to 495 crores in June 2000 and 372 crores in June 1999.

It is evident that the new introductions play a vital role in the growth performance of the industry. The number of new introductions has also increased substantially (See Chart No. 3.3).
Not only the number of new introductions (NI) has increased, so does the value of NI. The average value per NI has been maintained or is on rise — it was 20.16 lakhs in 1999, 20.08 lakhs in 2000 and 21.38 lakhs in 2001. The number of successful new introductions is also on a rise. Besides, there is one remarkable achievement that out of the 1354 new products launched in June MAT 2001, only 5% have been launched by the MNC while 95% come from the Indian companies. On an average, an MNC launches two products in the year while an Indian company launches 5 products in a year.

It is clear that the number of new introductions is increasing and its impact is also visible on the industry. Among the therapeutic categories, which recorded more new introductions, antibiotics ranks the list followed by anti-rheumatic muscle relaxant. Other categories, which recorded substantial value growth, include antidiabetic segment, Haematinics and drugs for erectile dysfunction. As far as the companies are concerned Cipla ranks first by introducing 118 products, followed by Ranbaxy (67), Alkem (54), Intas (51), and Sun (35). But so far as the value is concerned Ranbaxy surpassed Cipla by gaining 37 crores through new introductions followed by Cipla (23 crores).
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Rofibax (Ranbaxy) leads the list of top N1 followed by Torrox (Torrent). But indeed one needs to look at the other side of the coin as well. Out of the 3000 products launched in the span of 3 years (1999 to 2001), 20% (602) of the products have registered a degrowth in June 2001. This indicates that the life span of the new products is short lived. This also indicates that if the industry should continue to register a positive growth, it has to depend on new introductions, which has a limit for itself in the wake of the TRIPs agreement.

**BRANDING**

Ahmed (2001)\(^{18}\) has commented that change in therapeutic profile, patents and essential marketing rights, new regulations, patient affordability, domestic and international competition are some of the forces that will govern the marketing of tomorrow. The conventional approach of launching 20 products in a year with an assumption that 2-3 products will succeed will no longer work. Till now top organizations like Cadila, Cipla, Glaxo, Ranbaxy, Hoechst have one thing in common that they have huge reliance on a selected few products, for e.g. Zydus Cadila's top 15 brands contribute 53 percent of sales with one brand Ciprobid contributing 9.7 percent to sales in 2001.

Thus there is a need to improve the life cycles of brands, which do not contribute significant sales. In 2000 Indian companies have observed decline in growth rate and according to ORG-MARG, 42 out of 65 top brands have lost the market share also. But, now the pharmaceutical executive have realized that after 2005 when pill creation will be difficult due to patent regime, it is the time for pill pushing. Therefore, the critical need is of branding. Smarta (2000)\(^{19}\) describes pharmaceutical marketing as restrictive in nature as it is not a consumable item (leading pharmaceutical brand will have a turnover of less than 100 crore whereas HLL's lowest ranking product is Rs. 100 crore plus), but the concept of branding can be still applied to pharmaceutical products. What is

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\(^{18}\) Ahmed Bashir, Executive Director, Commercial operations, Aventis Pharmaceutical, Express Pharma Pulse, 2001

\(^{19}\) Smarta R. B., Establishing a Brand, Advertising & Marketing, May 15, 2000, pp 28

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important for brand building is to change the whole approach to communication, quality and distribution.

- Constraining factors affecting brand building in pharmaceutical industry:

1. Price control by NPPA is one of major constraining factors. Different companies spend huge resources in making a brand success and there comes a NPPA decision to fix its price. This happened with the brand Taxim. It touched Rs. 70 crore in 1999 and in 2000 NPPA announced a ceiling price for Taxim, which proved as a disincentive for the company – Alkem Labs. Another criteria is that a brand with a turnover more than Rs. 20 crore or having a market share of 50% will come under NPPA’s lens. Thus, companies loose interest in building brands.

2. Another difference is due to competition and the Me-too Indian market. In absence of product patent, domestic R & D was zero and the only difference between a blockbuster drug and a me-too product was of price. Within a month of introduction, market will be flooded with 20 versions. So, there is no scope for branding. Thus in this cutthroat price competition, companies only tried to convert customers, but didn’t learn to retain them.

3. It is becoming difficult for Indian companies to survive against the forward-looking international companies. International drug companies spent USD 2.5 billion in 2000 in advertising directly to consumers (DTC). Claritin (anti-allergic), Prilosec(anti-ulcer) are the most successful examples due to advertising. In India DTC advertising is not allowed. On the other hand Indian

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companies are launching generics which rather than expending the reach of medicines is cannibalizing it's own brands.

But in spite of all constraining factors, Indian companies are bringing adaptability and apart from research and development, pharmaceutical houses have restructured their marketing also. It's time to enhance customer relations. CRM (Customer Relationship Management) is the need of the hour. Cipla’s campaign on AIDS awareness and asthma is the step in the right direction. Great potential in OTC product has also compelled pharmaceutical companies to register its name in the minds of consumers. In absence of DTC advertising, disease awareness programmes are the best way to reach out to customers. In case of life style diseases like diabetes and hypertension also CRM will work wonders. In recent past more number of health related magazines have come up which shows the need of the society. Companies are also building special divisions like women healthcare marketing division. All these are the steps to reach to the target consumer in an effective and focused manner. Indian pharmaceutical companies are now more globally aligned and are definitely trying to learn the art of brand building.

Pharmaceutical Marketing is basically brand management. Ananth Iyer (2001)\textsuperscript{21} emphasizes on the ability to facilitate the registration of the brand in the mind of prescriber by creative messages. It is the ability to make your brand stand out even in the me too situations, because in case of me too products the differentiation would not be in terms of product characteristics but in terms of communication strategy. Branding gives a competitive identity to the product, which helps in getting the share of mind and developing doctor’s prescription habit. The major functions performed by branding are positive effect on brand recall, creating awareness, building company image, easy handling by the distribution channel and protection against substitution. In absence of branding, doctors will have to prescribe only generic products, in which case the chemists can dispense the

\textsuperscript{21} Iyer Ananth, How to build brands and win consumers, Express Pharma Pulse, 7th Anniversary special, Nov 22, 2001, pp 4-6
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products of any company, hence branding plays an important role for a company's sales.

More and more companies are trying to build image through branding. However, in the specialty drug segment, where competition is very less or sometimes nil, emphasis is on product specific marketing. But in all other cases, brand managers have to focus deeply on target audience and offer a communication, which appeals to the doctors. Pharmaceutical products are not just pills but life enhancers, thus brand manager should know their brand's identity, eliminate all confusions and communicate benefits in an easy-to-comprehend way.

According to David Wood (1995)²², a U.S. based Consultant specializing in consumer healthcare, "There is an important lesson in branding. It can't be done quickly. It's not cheap. It takes long term commitment and vision". There are lots of case studies with respect to brands which have been able to identify their brand and communicate effectively with their target audience, say for example, Zinetac (from Glaxo) one of the earliest block buster, and certainly one of the most popular drugs in terms of the total number of prescriptions written of that particular brand), Prozoc, Corex, Becosules, Voveran, Liv 52, Althrocin, Digene, Taxim etc.

A brand is much more expensive than a product and a brand is more than simply what the product communicates to the consumer. Brand Management is based on three fundamentals, which are interdependent: -

(i) **Positioning**: which defines the core consumer benefits or values of the product.

(ii) **Performance**: The benefit helps in differentiating the product from the competitors and establishes performance in the mind of consumers.

(iii) **Perception**: The performance cues evoke a brand personality and establish perception or brand identity.
This perception in the mind of doctor will induce the trial i.e. first time prescribing. If the product lives up to the image/positioning, which was created initially in the mind of doctor, then the doctor, will prescribe it again. The goal of a brand manager is to get doctors to keep prescribing and become brand loyal. Naming a product is important because it is what consumers ask for, and it is what they are loyal to. A name can often make or break a product. Gone are the days when companies made the brands, today brands make the company. In case of pharmaceutical brands also emotional attachment is there, because it helps improve your quality of life. Chaudhary (1997, p 75)\textsuperscript{23} contributes that a drug, which allows a person suffering from arthritis, to enjoy his cup of tea without losing his grip early morning, can only value the brand. One example is of Prozac, which was targeted for better lifestyle. Since it’s launch in 1988, this drug has created wonders. It was the first of new class of anti-depressants known as selective serotonin reuptake inhibitors (SSRIs). It has been prescribed for more than 17 million people in the US alone. Such is the power of a successful brand.

E-BRANDING

To be competitive now-a-day web presence has become essential for any industry. Smarta (2000)\textsuperscript{24} suggests that companies can develop their web sites and put on the net, thereby having a 24-hour presence. But before taking any hasty decision, one should set priorities and focus on the unique features of the internet and use the sections, mail services, links to other web-sites etc. Points to kept to be in mind/important factors are as under: —

1. For a beginning, one can start e-branding process for OTC brands in India. While applying it for ethical brands, it must start at major hospitals and nursing homes.

\textsuperscript{22} David Wood, Do branded drugs have a future?, Express Pharma Pulse, Jan 5, 1995, pp 9
\textsuperscript{23} Choudary Pavan, The Rx Factor-Strategic creativity in pharmaceutical marketing, Response Books, New Delhi, 1997, pp 75
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The continuous medical education (CME) for physician, paramedicos and patients can really take a different turn through e-branding.

Information and product driven web sites can be improved by using graphics, pictures of products or packaging and of course the text material. As doctors remember brands more than the corporate names, attractive product, driven web sites can lead to easy recall of brands.

Promotional Tool: - To create brand awareness and associations also web sites can be designed which frequently repeat the slogans. Thus before designing the web site the objective should be clear.

Experimental web sites: - A web site should provide experimental value to the visitor. There should be something intriguing or newsworthy in the web page in order to want to revisit it. Through web on the net, organization can convey it’s overall impression; it’s aesthetics, the expression of its style and themes.

PRODUCT NICHE IN PHARMACEUTICAL MARKETING

According to Smarta (1999) a brand or product is niche; if it's exclusively aimed at a few customers in such a manner that other mainstream consumers in the market have reason not to use it. By this definition every medicine for a specific indication can be considered niche. In a market, particular therapy can have a tiny niche but has higher price-realization and a smaller but loyal user base and company can willingly forget a large number of potential users. For e.g. Norfloxacin (Cipla sells it under the name Norflo) is an antibiotic, which can be used for many purposes but is generally used for the treatment of urinary tract infections. The brand has been able to carve that niche very successfully. Similarly, a company manufacturing antiseptic, need not directly compete with a big brand, but can concentrate on emergency wards and burn treatment centers and after getting acceptance can think in terms of expanding. Before taking a decision to go in for a niche, one has to identify the wish list (with whom you

24 Smarta R. B., Need To Change, Advertising & Marketing, Dec 15, 2000, pp 88
25 Smarta R. B., Niche can be nice, Advertising & Marketing, Nov 30, 1999, pp 71
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want to do business, what would be your area of emphasis, check whether your product fits well with what customer wants, test it with real prescriber and then go for it.

A company called Alintosch had developed a nutritional formula for women called A & N (Anemia & Nutrition) granules. The consultancy firm (Interlink, Bombay) suggested to target the products towards only new mothers in metro cities as in big cities mother-in-laws taking care of delivered babies is slowly reducing and with A & N new mothers can get the needed rest and balanced nutrition. To estimate brand’s potential only maternity homes were considered and usage of product only for initial 10 days by new mothers after delivery also showed a great potential for the product. The company thus targeted only nursing and maternity homes rather then all gynecologists and in the very first year A & N become a 12 crore brand. Thus, a Niche marketing strategy can be very successful, if planned and executed well.

PACKAGING

In India, traditionally, the emphasis was on intrinsic worth. Smarta (1999)\textsuperscript{26} has remarked that judging a person by his clothes or a book by its cover was considered to be disgraceful particularly in Indian Society. But, time has changed, and packaging is increasingly becoming a part of the value proposition. It is a high-priority area of concern for leading companies.

Benefits of Packaging: -

(i) A promotional tool: In the case of pharmaceuticals, the patient’s satisfaction with the packaging may depend on whether it is a low-risk high involvement brand or a low-risk low involvement brand for e.g. in case of skin and asthma products what is important is patient’s ability to recognize the brand and

\textsuperscript{26} Smarta R. B., Making the most of packaging, A&M, oct 25, 1999, pp 31
distinguish it from others. In case of hypnotics and psycholeptic drugs, usage of colour would depend upon how well it works for them.

(ii) **Packaging for Convenience**: - A marketer can meet doctor’s requirements or patient’s. The package design will vary depending upon this factor. For e.g. Glaxo when introduced Asthalin Inhaler for pediatric range/Children, used an inhaler which was not only very easy to use but also will produce a whistle while using so as to please the children. More and more products going OTC, companies now emphasize on convenience, for e.g. pre filled syringes for antibiotics.

(iii) **Packaging and Legal Requirements**: - Packaging has more statutory regulations than any other element in marketing mix. So, marketer should get a counsel to meet legal requirements not only in India but also abroad.

(iv) **Physical Protection**: - Packaging protects the product and delivers it to the point of sale in sound condition. The protection required by the product will vary depending upon the nature of the product, final destination, distribution and total time for which protection is required. Pharmaceutical industry has been coming out with innovations in packaging so as to make it more safe, hygienically sound, convenient to use and easy to identify.

(v) **Appearance**: - The appearance of the package is important as it acts as an advertisement specifically in case of OTC products. Also, it helps the doctors in identifying the product and serves the function of easy recall, which is very important for a marketer.

### 3.6.2 PRICE

In pharmaceutical industry pricing can be used with an objective to introduce a new product, to penetrate the market deeper, to put up an entry barrier, to reward retailers or to scare a new entrant. Unless used as part of the overall strategy, no pricing strategy can succeed in isolation. The issue of pricing has serious connotations for all-government, companies, and middlemen and of course customers. For companies better pricing naturally translates into profit. But for customer it means availability of
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medicines at reasonable price. For government it is a subject of social responsibility to ensure availability of medicines for all, at reasonable price without hurting the interests of the industry. These conflicting interests are to be matched.

It's now more than 30 years since pharmaceutical industry was brought under price control. It was done to ensure that society gets the pharmacy products at an affordable price. The DPCO was introduced in 1970, since then revised thrice and the last revision was made in 1995. Periodically government announces the product categories, which are covered under DPCO. As recognized in full text of Drug Price Control Order (1995) a present there are 74 bulk drugs included under DPCO's preview. The industry has filed a case to remove 17 more molecules from DPCO list, which also includes Ciprofloxacin and Norfloxacin. Another important development was in 1997 when NPPA was formed. It was established with a view to facilitate the process of arriving at the prices of drugs.

Pricing decisions being one of the important aspects of marketing management, are vital for a business because they determine to a great extent the turnover and profitability of any organization. They are crucial since customer satisfaction is greatly influenced by the pricing decision. In this industry, companies have to adhere to the legislations. It offers very low leverage in the manipulation of commission or discounts which have the strong impact on the pricing policies of the industry.

Let us analyze the commonly used pricing approaches and its implications for Pharmaceutical industry:

Cost Based Pricing: As the name suggests, it is based on total cost of the product, plus an allocation for overheads, plus a predetermined percentage to provide for an adequate return. This gives the selling price. This is very much similar to the pricing formula suggested by DPCO. In addition DPCO has fixed the cost norms (conversion and packaging norms) and MAPE (maximum allowable post manufacturing expenditure) for all formulations and bulk drugs belonging to specified categories. The major advantage of cost based pricing is that it can help to indicate the minimum price levels.
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Marginal cost pricing is another concept, which is definitely applied by the industry. Marginal cost is the cost of producing one more unit. The cost of producing one more unit implies that the cost of producing the extra unit consists only of the variable costs since fixed costs are already being covered with the existing sales volume.

Demand Based Pricing: This approach takes into account the likely effect that different prices may have on the demand for a product. Under this method it is required to calculate the breakeven points at different selling prices and different volume forecasts. After evaluating the impact of price on volume the company should try to arrive at the most profitable price volume ratio. To arrive at this the company must be able to forecast with a reasonable degree of accuracy the number of units of a given product you could sell at different price levels. It takes into account the market realities. This method is therefore useful in pricing products profitably in a market that is price sensitive and demand elastic. In case of products having several me too brands companies even have to price the brand below the ceiling set by DPCO.

Competition Based Pricing: In this case the marketer has the option of setting the price above the competition, at par with the competition or below the competition. It is therefore very important in pharmaceutical companies to decide upon the time to enter the market. New product introduction, as such is a very important phenomena in this industry as it determines the growth in the industry. Looking to the trend and after 2005 its importance is going to increase. Severe competition in the industry makes it all the more necessary for all to determine the competitor's cost, before formulating the company's pricing strategy. Estimating the cost of competitors is relatively easy in the Indian pharmaceutical industry since the norms for conversion and packaging are fixed. They are the upper limits and it is possible that some of the competitors may have achieved greater efficiency levels, incurring lower costs than the prescribed norms. It is therefore more important to know the real costs of the competitors and whether they have achieved cost leadership. This is really a difficult task. The costs must be actually lower than others, otherwise blindly matching competitor's sampling, packaging, advertising and also pricing is completely illogical.

During the economic slow down also many marketers opted for value addition rather than entering into a price war, which has gained them good returns. Especially the leading brands like Brufen and Beplex forte, have continued with the same pricing for a long time except for the changes made due to DPCO's demands. One example is of Ceterizine, an anti-allergic launched by Glaxo. When Glaxo introduced it for the first time it priced it at Rs 2.90 per tablet. Many followers entered the market with the same price including companies like UCB and Unichem. But SOL introduced the product at Re 1 per tablet and challenged the market dynamics. In initial one and a half year, Sol managed to sell higher volumes than Glaxo. But Glaxo didn't react and continued with the same price. Today many companies like Lupin and Core are selling below SOL's price. Thus SOL was successful in starting a price war. But the fact is that Glaxo has won back the leadership.

Thus it is very difficult to judge price sensitivity in this industry. The same doctor might be price sensitive towards a generic drug but may not be sensitive towards the price of a brand, which is able to distinguish it from others. Doctors and patients may be
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getting budget conscious, but if there is a choice to be made between a sure-to-work high priced drug and a risky low priced, the former will be chosen.

In pharmaceutical industry price sensitivity varies from therapy to therapy and it has lot to do with the nature of the problem for which the cure is sought. During the prescription process, the sensitivity depends to a large extent on what marketer can get out of it.

Price is one of the strongest elements in the pharmaceutical marketing mix. As has been rightly described by Kotler, there can be several pricing objectives. A company can use price as a barrier for other companies to enter the market, or as a differentiating factor between two similar brands, or as a tool to increase market share, or as a penetrative strategy in case of shorter product life cycles. One must keep in mind while deciding upon the price that the decision maker in case of pharmaceutical products is the doctor, who doesn’t pay for the medicine. Thus the perception of efficacy of a molecule is very important in pharmaceutical pricing.

Pavan Chaudhary (1997, p 108)\(^{28}\) has very rightly pointed out one example- A trader selling fruits has kept at one end of his stall apples at Rs 12 per kilo and at the other end he had identical apples selling at Rs 48 per kilo. The reason given by the trader was that those apples at Rs 48 were for those customers who wanted to buy apples at Rs 48 per kilo. Thus for some products demand is inelastic. Similarly for some medicines, demand is inelastic because people don’t start buying more medicine it is cheap and also they don’t want to compromise on their health. Various pricing strategies adopted by companies are discussed below:

(1) In products having no difference in features (very common in pharmaceuticals), price can be used as a differentiating factor. A higher price brand will be considered as better quality.

\(^{28}\) Choudary Pavan, 1997, pp 108
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(2) In products having shorter life cycles, higher price can be charged, as company is more concerned about current profits. Due to new molecules introduced very often, tomorrow a better molecule might replace a product.

(3) Brand leaders can charge premium price so as to build image.

(4) Perceived efficacy of the drug might have an effect on price. In antibiotic/quinolone segment every new molecule is expensive than the previous one, as it is perceived to be more effective. Pricing a better drug lower can proved to be disastrous. One example is of Pfoxicin, which was priced at Rs 12 per tablet because of which it could not prove its superiority over Ciprofloxacin (priced at Rs 20 per tablet for more than two years after its launch).

(5) Once the efficacy of the product is established, company can reduce the price. Ciprofloxacin’s price was dropped after two years and doctors considered it as an excellent molecule now available within reach, so market expanded and grew at a rate of 15 percent.

(6) In pharmaceutical pricing, communication plays an important role. Even a low priced brand if promoted well can succeed. Core and Alkem have introduced low priced products. Core with its punch line “No compromise. Not on your Life”, uses emotion to break the low-price-low-quality image.

(7) Similarly, high priced product can be sold by emphasizing the seriousness of the indication it treats. One brand Gramoneg (Nalidixic Acid) was promoted by using this strategy by Ranbaxy. Due to several cheaper options available to treat dysentery and diarrhea doctors initially didn’t prescribe the brand. Through effective communication Ranbaxy changed doctor’s price sensitivity. They used seriousness of diarrhea in their communication such as: “The WHO says that diarrhea is the No. 1 reason for infant mortality. Doctors specifically pediatricians started considering diarrhea as a matter of concern and Gramoneg’s sales increased three times in two years. Thus in pharmaceutical pricing perception plays a very important role and reduces price sensitivity.
Managing Distribution is a very important aspect of pharmaceutical marketing. The company works hard for generating prescriptions and if the product is not available, that's the biggest loss. In India, as far as pharmaceutical marketing is considered, little innovations have come and a traditional system has been followed in which company either appoints carrying and forwarding (C & F) agents, depots, super stockists/ stockists or distributors. The role of a C& F agent is to provide warehousing facility to the company taking the ownership of the product; in return he gets commission for the same, whereas stockists/super stockists take ownership of the product. Their status is decided upon based on the volume generated by them.

Various activities need to be coordinated for transferring goods from manufacturer to the ultimate consumer. According to Phillip Kotler (2000), "Physical distribution involves planning and implementing the physical flows of materials and their final transfer from points of origin to points of use or consumption to meet the needs of customers at a profit. The main elements of the physical distribution mix described by him are transportation, warehousing, inventory carrying, receiving, shipping, packaging, administration and order processing. Apart from physical handling of goods, storage, legal, promotional and financial aspects are also involved in the transfer of ownership.

Thus, the basic objective of a distribution system is to transfer the final product from the place of manufacture to that of consumption, providing best possible services to the consumers. Bharucha (2001) has mentioned that the over all distribution policy of a company involves specific decisions regarding various aspects of distribution such as the type of distribution, network to be adopted, the required market coverage, cost of transportation, commissions of intermediaries, motivation and control of channel members, credit policy, service policy, issues

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29 Bharucha Burzin, Supply Chain: Keeping Pace with Time, Express Pharma Pulse, Jan 4, 2001, Vol 7, No 7, pp 7
related to expiry or damage during transportation etc. All these activities of the distribution policy have to be co-ordinated to ensure that the product is available to the ultimate consumer at the right time, at the right place and at a reasonable price.

**DISTRIBUTION COST**

More and more companies are now increasingly getting concerned about the cost of physical distribution which varies from industry to industry, but if strategically handled can lead to substantial cost savings for the organizations. One very good example is of a leading cement company – 'Ambuja Cement' which managed its distribution aspect so well, that it became the leader in the industry. In case of cement distribution freight charge is one of the important component of the overall cost of distribution. As per the government policy, if one transports cement in loose form rather than packed in bags via sea route, then the freight charges are 40% lower as compared to the road transportation. Company took advantage of its strategic coastal location and made initial haze investment in building the jetty (for unloading loose cement from truck to ship), specially designed trucks (for transporting cement from manufacturing plant to the ship), and specially designed ships (for transporting loose cement from jetty at Muldwarka to Surat and Panvel near Bombay). At Bombay and Panvel also company had it’s jetty. Thus, it could reach out to it’s customers at substantial lower costs and had a competitive advantage over it’s competitors. In pharmaceutical industry in last few years, few companies like Hoechst, Sarabhai, Sandoz and Nicholas Piramal have introduced some innovations in distribution. Smarta (1998)\textsuperscript{30} has found one such example of innovation wherein Sandoz decided to make changes in its method of discounts to C&F agents by paying on the basis of case lots instead of paying a direct percentage on sales. A case lot weighing 12-15 kg will fetch Rs 8-10 to the C & F agent. This helped company reduce the cost by 1.2% of its total turnover, which is a substantial amount.

In the wake of mergers and acquisitions also, it would be a real challenge for companies to streamline the distribution system of various companies. As the

distribution system of various companies will have diverse product portfolios and a set of overlaps between C & F agents, stockists, wholesalers and the territories covered. Thus, it's an enormous task to co-ordinate and manage a distribution system at an acceptably low cost.

Distribution cost includes following major components: -

(i) Transportation cost – packing and forwarding charges
(ii) Commissions payable to distributors
(iii) Branch expenses – rent, salary of the staff, discounts and rebates offered by them, other promotional expenses incurred in the interest of the business, inventory carrying cost, insurance, expenses on credit collection.
(iv) Commission to the C & F agents
(v) Margin to be paid to wholesalers and retailers decided upon by DPCO for various product categories – As per DPCO 1995, the government has announced minimum of 16% margin for retailers on MRP (maximum retail price) for all formulations and would be exclusive of excise duty for the controlled category products and 20% for the decontrolled category products. Wholesaler’s margin ranges between 5 to 8 %. Due to ever increasing cost of distributions, the need has arisen to evaluate the cost structure of the distribution channel i.e. C & F agents, depots or super stockiest.
(vi) Expenses on credit collection – collecting the due payments fast determines the company’s profitability. Though in pharmaceutical industry, companies don’t offer credit to trade and payment is collected in advance in the form of demand draft. But due to competition, and to get market entry, new companies resort to providing credit facility to the dealers.

The distribution chain in pharmaceutical industry is made up of the distributor/stockist, wholesaler and the retailer. The distributor might be getting the supply from clearing and forwarding agents or manufacturer’s depot. Let us understand the role of wholesalers and retailers now:
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THE WHOLESALER

The wholesaler is the link between the stockiest and the retailer. However, many stockiests have direct link with the retailers. Wholesalers are the natural creation of the complex pharmaceutical distribution system. The huge proliferation of retail chemists due to the ever-increasing population of patients and doctors has made it virtually impossible for the authorized stockiest of the manufacturers to provide effective service to all retail outlets. Therefore, in many towns wholesaler's substockiests have started providing service to retailers. The most important service that a wholesaler offers is that a small retailer can procure products of a number of manufacturers from a single point. Not being an authorized distributor of any manufacturer, typical wholesaler stocks products of a large number of companies. A true marketing professional keeps track of all the sub stockiest/wholesalers in his territory and makes use of them to supplement the coverage of the trade.

RETAILERS

Retailer is the most important link in the distribution chain. It is at the point of the retail that a prescription gets converted into a sale. By virtue of his location in the distribution chain the retailer is the most informed and the most qualified person to give information about the doctors whose prescription he serves.

According to Suryanarayan (2001)\textsuperscript{31}, National Council for Applied Economic Research (NCAER), the Country's Eight Lakh Pharmaceutical Retail Outlets do Business worth Rs 30,000/- crores. The industry is growing at the rate of 18% annually and is valued at Rs. 65,000/- crore by 2006.

\textsuperscript{31} Iyer Suryanarayan, Organised Retailing: Business of the future, Express Pharma Pulse, Nov 22, 2001, Anniversary Special, pp 4-6
A retailer also plays a very important role in the sales of an OTC brand. Since an OTC brand is bought to take care of not-so-serious-disease the chances of a consumer getting influenced by a retail chemist is much higher in case of an OTC brand than in the case of a prescription brand.

In this highly competitive industry, there will be not less than 100 brands of one molecule and in India the proportion in which the brands are stocked depends upon the prescription patterns of nearby doctors.

In recent years various changes have taken place in a retailer's behavior and retail pattern:

1) Margins have increased, low investment needed due to credit facility from wholesalers, number of retail shops have increased phenomenally, thus shop-vs. -Shop competition has also increased.

2) Stocking patterns have changed. As observed by Smarta (1997)\textsuperscript{32}, earlier 95% of stock used to be of prescription (ethical) drugs. Now only 45% is of ethical drugs and shelves are filled with OTC products, cosmetics and surgical products. Dependence on prescription brands has reduced.

3) Partnership with prescribers: - Chacha bhatija symbiosis is prevalent. It helps create captive customers and cuts down the cost of stocking products, which are less likely to be prescribed.

4) Catering differences: - In India, some are wholesale dominated and others are retail dominated markets. In places like Mumbai, Chennai and Gujarat retailers are serviced by stockist's salesman whereas in places like Nagpur, Lucknow, retailers have to go and purchase the stock from the stockist.

Trade Incentives are growing to lure retailers. To aggressively push the product companies introduce schemes and it leads to brand substitution by Chemist, which is possible as patients are not educated. Pharmaceutical
retailer has become very powerful. Suryanarayan (2001) has explained the scenario in terms of Plethora of brands, proliferation of companies, increasing retail population, margins-maximum 20% on decontrolled drugs and 16% on controlled drugs, good bonus offers from stockiest etc. Besides there are number of regulations in this organised industry. Prior permission should be taken from the Wholesaler's/retailer's Association in following Cases:

- before launching a new product
- before launching brands in all districts
- before adding or eliminating any distributor/stockist
- before appointing a replacement stockist. And if the demands of the retailer's association are not met company can face a blanket boycott.

Recent example is of Cadila healthcare who wanted to start it's own retail outlet in Ahemdabad on similar line of medicine shope (a U.S. based chain in pharmaceutical; Bombay), but faced lot of opposition and had to drop the idea immediately. It's high time that industry and trades got talking about adhering to a certain set of values and norms. It is clear that both manufactures and retailers will benefit in the long run if consumer confidence rises.

15 years down the line when environment would be different, if one wants to survive change is inevitable. To adjust to the change, companies need to educate Chemists about their role as a pharmacist and the expectation of companies as well as society from them.

Expectations:

- Sell the correct brand (since patient's history is not known to him)
- Don't substitute the brand

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- Avoid selling brands in short supply at higher price
- Don't give misleading information to patient about product/company
- Offer home deliveries to critical patients
- Don't stock sub-standard products
- Provide accurate information to companies about doctor's prescription behavior
- Rotate stock properly
- Avoid making hollow claims for breakage (companies must know genuine transportation problems)
- Avoid arbitrary price cuts
- Mutual sense of purpose with MRs

Take care while reading the prescription, as doctor's handwriting is not legible sometimes. Similar sounding brands might be there for different treatments, e.g. Nidran (anti-cancer) and Nindran (for treating insomnia), Eposolin (Antibiotic) and Epsolin (cardia related product). The whole prescription should be read carefully; otherwise it can prove to be hazardous for the patient. It is also the duty of pharmaceutical companies to avoid such similar sounding names and conduct some collaborative programmes for doctors and chemists so as to have the right type of prescription generation and dispensing the drug. Pharmacists can provide other services also such as emergency prescription dispensing, home delivery, non-prescription consultancy (in case of minor ailments), patient monitoring (keeping patient's profile update and suggest the reorder if the patients forget-useful for patients undergoing long therapy-Cardiac or Diabetic patient) offering credit etc. This will help them develop relationship with their patients and gain edge over their competitors. Shop to shop competition is increasing day by day and entry of large chain stores in pharmaceutical business has started flourishing thus for survival you need to be proactive.
Retailers play an important role in the pharmaceutical industry as they have direct contact with end-users, specifically in a country like India where 80% of the products are distributed through retailers. In India, there is an age old traditional trade system existing having a strong foothold in the market. Due to liberalization, now in India multinational companies are struggling to gain some share. As it has been mentioned earlier in pharmaceutical industry retailers and wholesalers have their strong association, which restricts the entry of those who might pose some threat to them. But time has come when the retail pharmaceutical market needs an overhaul, which ultimately would be in benefit of consumers.

As suggested by Singh (2002) a series of corporate initiatives is going to change the face of retail pharmacy in near future. The first attempt in India was made by Apollo Hospitals before 15 years. Now after a long gap there are seven huge players pursuing two internationally tested models for retail pharmacy. Customers would be hearing about (a) Apothicaries’ Model Pharmacy, where the business architecture is an exclusive dispensing of medicines, and (b) the health-and-beauty-related products and services added on.

Till date, in India the ignorant patient is left to the mercy of an equally ignorant non-pharmacist. Anyone can set up a pharmacy, as long as he can show that he is a pharmacist or employs one. Practically every medicine is available without prescription. There is no bar on the number of pharmacies in an area. There are seven lakhs (registered) pharmacies across the country. Besides consumer awareness is also low. In such a scenario state governments are now getting stricter specifically in states like

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33 Singh Gina, That is a Chemist?, Business World, Jan 21 2002, pp 14-18
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Gujarat, Kerala, and Karnataka and are trying to improve services to consumers.

The concept of apothecaries’ Model and beauty-health related model is gaining popularity in India. The following table gives an idea about the existence of such organizations:

<table>
<thead>
<tr>
<th>Name of the Store</th>
<th>No. Of outlets</th>
<th>Format</th>
<th>Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apothecary model based</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subhiksha:</td>
<td>112</td>
<td>Discount store</td>
<td>Cheaper alternative to branded drugs</td>
</tr>
<tr>
<td>Apollo</td>
<td>90</td>
<td>Hospital/clinics/ Stand-alone store</td>
<td>Associated with the hospital, 24-hour pharmacy</td>
</tr>
<tr>
<td>Medicine Shoppe</td>
<td>19</td>
<td>Franchisee model</td>
<td>Health and hygiene pharmacy, products, international standards</td>
</tr>
<tr>
<td>Dial for health (Zydus Cadila)</td>
<td>5</td>
<td>Company-owned/franchisee</td>
<td>Parent company’s network may help in faster growth</td>
</tr>
<tr>
<td>Model pharmacy</td>
<td>3</td>
<td>Owned/ plans to Franchisee</td>
<td>Practicing international benchmarks for pharmacy</td>
</tr>
<tr>
<td>Health and Beauty based:</td>
<td>SCHWABE</td>
<td>Health &amp; Glow</td>
<td>Life spring</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------</td>
<td>---------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Franchisee model - Homoeopathy store</td>
<td>Complete, genuine range of homoeopathic products</td>
<td>First Indian retail store to focus on Both health and beauty</td>
<td>OTC drugs, gifts, as well as Pharmacy</td>
</tr>
</tbody>
</table>

| | 36 | 17 | 5 |


Medicine Shoppe International, the world’s largest pharmaceutical franchiser, with 1500 pharmacies spread over ten countries, is a wholly owned subsidiary of Cardinal Health Incorporation (A fortune 200 company). Its next destination is India. Medicine Shoppe India has tied up with its international counterpart, the managing director of whom is Viraj Gandhi. Commonwealth Development Corporation has 35% stake in it. The objective of medicine shop as mentioned by Gandhi[^34] is, “to transform the retail chemist business from a commodity based industry into a service-oriented one, because consumers don’t walk into a store only to buy medicines, but for a comprehensive healthcare experience.”

Viraj Gandhi got master franchisee from medicine shop international and in turn he has given franchisees to 11 in Mumbai and one in Vadodara, one in Rasayani (120 km off Mumbai) and he is expecting to have 25 such

[^34]: Brian Carlvaigh, A heady Prescription, Business Today, Jan 6, 2001, pp 52-54
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franchisee by the end of 2001. He has to pay a fee to the U.S. partner. His investment is 4 crores and to break even he needs 250 franchisees. In U.S. in 1971, there were 2,00,000 Mom-n-Pop pharmacies and just 500 retail chains. By 1998, number of unorganised pharmacies came down to 70,000 and chains expanded to 45,000. Apart from medicine shoppe, Appollo group has also started with 30 retail pharmaceutical stores in South, RPG group has Health-n-Glow chain, LifeS pring (an Indo-Australian Joint Venture) has also started retail chain in Delhi. The concept is that retail pharmacists have to break out of their ‘baniya’ mentality and get their acts organized. There are some difficulties also, like customers might consider these retail chain expensive and one may not take franchisee due to huge cost involved (in case of medicine shoppe, franchisee has to pay Rs. 2 lakhs as originator’s fee and also a royalty to be paid every year, starting from 3% in first year, 4% from fourth year and 4.5% from eighth year onwards). Cadila healthcare in Ahmedabad was almost set to start with it’s retail chain but had to drop the idea for the time being as it faced opposition from retailer’s association, but is surely thinking in terms of reviving their plans and Cadila already has a company owned retail store in Bombay. Besides, once in India, the Insurance Companies start offering health insurance, organized retailers will be at an advantage, as insurance companies will have to tie up with retail chains and consumers can claim benefits only if they purchase from these outlets. The type of benefits offered by chain stores like Medicine Shoppe include following:

- Each store has a full-time pharmacist (at present in India one pharmacist extends his name and qualification to ten shops and patient is left to the mercy of an untrained person having no knowledge of pharmacist).
- Free medical screenings
- Advice from a panel of doctors on a regular basis.
People in India are getting more educated and more health conscious as well. Thus, growth of such retail chain will surely be in favour of people and our traditional chemists will have to learn new lessons to survive.

### 3.6.4 PROMOTION/ MARKETING COMMUNICATION MIX

Dasgupta & Sengupta (1997)\(^{35}\) have mentioned that the basic objective of all kinds of marketing communication is to inform, persuade and remind the current and potential customers. It's not simply sufficient in this scenario to develop a good product, price it attractively and make it available. It is inevitable for the companies to communicate with present and prospective customers.

In case of pharmaceutical marketing also promotion is a key element. Promotion is basically meant for communication. The communication about the product and its distinct want satisfying characteristics, about the company and its image, the place where the product will be available, the price at which it is available, and other additional benefits associated with the product are all inclusive in promotion. Promotion is the process of managing a communication system to improve the image of the company among the various groups of the society. In pharmaceutical marketing, basically, every company is trying its level best to obtain a ‘share of mind’ of the physician for its brands.

The company has several promotional methods at its disposal, which includes advertising, personal selling, public relations, sales promotion and direct marketing. In pharmaceutical industry advertising being legally not allowed is limited to print advertisements in medical journals, which is for limited circulation. Now-a-days companies have started advertising OTC...
products on television like Crocin, Anacin, Smyle Mouth Ulcer Gel and the recent one Dispovan Syringe etc. Besides, the role of advertising is mostly of the nature of public relations in this industry. Publicity is useful for research-oriented products. Personal selling and sales promotion are the basic elements of promotion mix for pharmaceutical products, which have been discussed at a length in the coming sections. Direct marketing in terms of direct mail dispatches, telemarketing and e-marketing is gaining momentum slowly. Each of these promotional tools has an effect on the sales and development of attitudes of doctors towards brands/product.

Designing and implementing a comprehensive marketing programmes calls for the use of techniques, which help in selling the products. It offers solution to problems related to effective communication by adopting creative promotional ideas in case of store displays, trade shows and exhibitions, samples and premiums, packaging, price and brand names etc. Many companies have separate sales promotion departments or otherwise the product managers will look after the sales promotion function.

Depending upon the company's product portfolio and nature of products i.e. ethical or OTC Products, company will decide upon the sales promotion techniques. In case of ethical products, which cannot be sold without doctor's prescription, companies rely heavily on personal contacts and interactions of medical representatives with doctors. Whereas in case of OTC products, companies use various communication media like, press, television, window display at shops, hoarding etc. and promotional methods are very similar to the one's used for consumer products.

COMMUNICATION STRATEGIES IN PHARMACEUTICAL MARKETING

Before 20 years, the healthcare industry media was restricted to field force detailing and materials. But competition has changed the promotional mix today. There are various options available like direct mail, journal advertising, medical TV and DTC (Popular in developed countries), patient education materials etching developed countries medical TV is gaining popularity as direct to consumer (DTC) marketing is permissible there. In spite of development in other options the desktop media has been most successful as office reminders. In developed countries apart from providing prescription pads and other reminder gifts, flashing brand names in the clinic is also done when the practitioner is at work with a patient. The reason behind such reminders is that a doctor has several options for the same problem and the one that's at the top of his mind gets first preference. So, communication should be so unique that you are in a position to buy the doctor's share of mind. Let us have a look at some examples sited by Chaudhary (1999)\textsuperscript{36} from pharmaceutical industry, which are samples of effective communication strategic creativity in communication: -

(1) Cifran

In the year 1988, ciprofloxacin, a highly effective broad-spectrum antibiotic was introduced in Indian Market by three companies - Cadila, Cipla and Ranbaxy. The cost per tablet was Rs. 24 - a very high priced product. In this race Ranbaxy won by gaining 10-11% market share followed by Cipla and Cadila with 8% and 6.2% market share respectively. As far as the caliber of representatives, stockiest network, promo tools etc is concerned, all three were at par. It was the communication strategy, which made all the
difference. Ranbaxy could establish superior efficacy of the drug and could justify the price. Its base line; “Rx Cifran- a reflection of your concern” was answering the objection of high price. Besides, company positioned the product against Cephalosporin (a class of expensive anti-biotics) and doctors perceived it as fourth generation cephalosporin (though factually it was not correct) and this strategy worked, making cifran the best marketed product judged by product management group in 1991.

(2) Disprin

It is an analgesic manufactured and marketed by Reckit & Colman. The formulation is such that it dissolves faster. The objective of the communication was to link this faster dissolution with the faster action. The Representative used to demonstrate Disprin vis-à-vis competitors in front of the doctor. Two glasses of water would be filled and the MR will drop in one glass the competitor’s brand and in another Disprin. The outcome was obvious; doctors were convinced about its faster action. Since then Disprin is undisputed leader in the ethical Aspirin market.

(3) Anti flatulent (Gas Reliever)

The company marketing an anti flatulent (assuming the brand name as ‘Gascape’, prepared a promo tool with a very low budget and used a bootle-opener with brand name embossed on it. The communication by the MR was simple, “Sir, just as when you open a bottle, gas come out, similarly, when you prescribe Gascape the patient will be relieved of gas’. The communication was simple but convincing and it worked.
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(4) DETTOL

‘Seeing is believing’ Reckitt and Colman is one company, which has benefited the most out of the communication success. In spite of several attacks by competitors, Dettol is still at the top position. Savlon is equally good a product, but when you add Savlon to water nothing happens, whereas if you add Dettol, the water turns cloudy and the consumer imagines that the germs are being killed. A unique product with right communication strategy works wonder.

(5) TICLOP

A high priced anti platelet agent, this brand was promoted with emotional route to justify its high price. The base line used was ‘since life is precious, Rx the priceless anti platelet agent-Ticlop’. Indians are emotional people and Indian doctors too belong to the same race. This strategy worked, besides it also occupied the share of the doctor’s mind. The technical advantages of the product were discussed later.

3.6.5 SALES PROMOTION

In pharmaceutical industry, sales promotion aspects get a very serious consideration. Most of the companies work on monthly, bi-monthly or quarterly promotional cycles. The promotional resources are very carefully allocated to make sure that the efforts of MRs bring in maximum sales. The physicians may be predisposed to prescribe, retailers to retail, and MRs to detail, but if promotions don’t focus the attention on a particular product at the right time and place and is unable to provide incentive to prescribe, retail or detail then the entire exercise is futile. “The marketer should be very clear
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about objective of promoting a product", Says Smarta (1998)\(^3\), whether the objective is instituting trial prescriptions, or creating new prescriptions from physicians to repeatedly prescribe the same brand, or widening the usage of product in terms of indications and patients.

Once these objectives are clear the decision maker can take steps to achieve them by developing comprehensive sales promotion plans. Apart from doctors, companies can have promotional schemes for Chemists as well as MRs of the company. For Chemists schemes might be offered to increase purchase, retailing (pushing the product) and gaining displays at shelves. For MRs schemes might be existing for increasing sales volumes or surpass targets, and increasing involvement and pride in the product as well as company through personalized incentives. In the case of pharmaceutical products, if product were very superior as compared to competitors, then more promotion would be needed to build brand trial. The reason is that it's a matter of testing the product; once the customer feels that quality is good the repeat purchase will automatically come. If the product is good, then a mix of promotion as well as detailing by MR would be needed and in case of an average product more emphasis on detailing and positioning of the product would be needed. An average product can be promoted by emphasizing the price criteria also. Apart from deciding upon all such exercises, there is a need to have control as well so that company doesn't land up giving away more promotional inputs than what is need in order to generate sales.

Pharmaceutical companies can target doctors through MRs (trusted and tested tool) or direct mailers can be sent to synergize the efforts. For retailer's special schemes and bonus offers have been very popular. The reason behind having special offers for retailers is that it ensures the sales, because at retail level brand switching is very common so a prescription doesn't necessarily translate to encashment t. The

\(^3\)Smarta R. B., 1998
motivation and commitment level of MRs is equally important and promotional tools used to motivate MRs should be tested to measure its effectiveness. Some companies also promote their products directly to patients through patient education programmes in chronic diseases like diabetes, hypertension, asthma, TB, AIDS etc. Sometimes awareness programs are organized for the patient's families also. This definitely is appreciated by patients and builds company image.

Various promotional methods used by pharmaceutical companies are as under:

1 Entertainment and Gifts: Marketers need promotional material that places a brand in the target customer’s mind space. Desk-top reminders are an important and long lasting promotional medium. What is important is that it should be innovative and flexible to be withdrawn any time. Diaries and calendars prove to be good promotional material but are not flexible as it is considered as a practice every year. Few basic criterias to be kept in mind while designing promotional material are – should be exclusive to the brand, should be credible and should bind the brand, physician and the patient together. One innovative and yet flexible idea had come from Parka Davis. The company came out with a 50 paise gift for paediatricians, which was a small plastic arm-circumference measuring tape. The doctor could measure the arm circumference of a child with the tape and if the tap crossed the green mark into the red zone, it indicated that the child needs more nutrition. It was distributed as a reminder for Paladac, a nutritional supplement for children. It was very well accepted. Thus promotional material includes creative ways of building up relationship with the prescribers. Following are some frequently preferred promotional material by companies:
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❖ Free journal subscription: would be highly productive if targeted towards doctors with academic and research orientation
❖ Sponsoring the conferences symposia and visits of doctors
❖ When cost of product is very high, marketer gives gifts as promo-tools e.g. weighing machines to pediatricians, x-ray viewers to GPs etc.
❖ Book Publication
❖ Prescription pads: Some companies even print sample prescriptions on the top leaf of the pads.
❖ Patient record forms: specially designed for specialists like record forms to be given to ladies during pregnancy or for a newly born child would be useful to Gynaecologists and paediatricians respectively.
❖ Specially designed material on request by doctors like ECG (electronic cardiogram) paper strips, X-ray viewing screens and so on.
❖ Medical Slides
❖ Customized promotional material like diagnosis forms, letterheads, stationary, presentation slides and broachers etc that carries doctor's names also.
❖ Personal care offered in any part of India or in special cases abroad during personal holidays with the family
❖ Young doctor's meet
❖ Recognizing the other side of talent:- organizing events like Sports, Antakshari etc. for such like minded doctors
❖ Application of computer for their benefit
❖ Grants for applied research and testing the products

Numerous studies have shown that small reminder gifts like prescription pads, pens, calendars, diaries, posters, tabletop items etc. have shown effect on brand awareness, product recall, message memorability and so on. Depending upon the need and personality of a doctor a particular promotion tool or a package is offered.
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Doctors have accepted such promotional schemes, but this has changed the attitude of doctors towards pharmaceutical companies. There is a very small gap left between commercialism and professionalism in medical profession. But as far as doctors are open, industry will keep on getting rewards for its innovative ways. If the companies are very clear about their target segment and also became selective in concentration of promotion, then cost can be reduced; at the same time there would be greater assurance of reaching the selling message in required frequency to the right person.

2. Direct Mailing is becoming More & More in Usage. In India also Cipla, Sandoz have started with Direct mails and Tele marketing with doctors. Its success depends upon the specialist’s (performing this activity) skills and quality of communication. This media option may not be successful if adopted in isolation. There is need to follow up in such activities.

3. Magazines and Journals: - Magazine and Journals advertising is one of the oldest and primary media of advertising. There are various types of medical magazines, which are available in India. One is, free magazines distributed by practitioner associations (for dentist, cardiologist and so on) to their members. Second, are digests and magazines like physician’s digest, lancet, practitioner etc. that keeps the doctors informed of medical research and new developments. Third is, reference digests like CIMS (Current Index on Medical Specialities), MIMS, Drug Today etc. which lists brands, prices, indications comprehensively. In all such magazines companies give their advertisements. Some companies attach samples also sometimes with the magazines. More specialized magazines create credibility among readers. One might be paying more per page but waste is greatly reduced, as the medium is audience selective. In India, there are few journals like JAMA (Journal of American Medical Association), Indian practitioner, BMJ (British
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Medical Journal), IJCR (Indian Journal of Clinical Practice), and Physician's Digest, which plays important role in the promotion of products. In developed countries, they use innovative technology also like electronic print advertisement, paper with product's flavour and fragrance, samples attached, surgical gloves attached with journals and sent to surgeons and so on.

4. Conferences and Symposia: - Companies organize conferences for new launches as well as existing brands and therapies. This is the right time to get feedback from practitioners. The objectives before organising the conference should be very clear i.e. creating awareness, getting feedback, building relationships (specifically in case of super specialties) so as to plan and organize in the same direction. Cipla has sponsored many such symposia like one on allergy, nephropathy etc. the company also sponsored the delegate bags and prescription pads in one of the gynecology workshop.

5. Promotional Trials and Clinical Trials: - Companies offer promotional trials specifically on a disease where less scientific data is available. For promotional trials specific customer group is selected and samples are given to them for trials on their patients. The company prepares its promotional strategy based on the group's report. This helps company in two ways – it gets a sound information base for preparing the promotional strategy and also builds relationship with doctors in the process.

Clinical trials are the standard operating procedures before a new chemical entity (NCE) is launched wherein only influential doctors recognized by the Drug Controller of India (DCI) are selected to study the effects and side effects of the molecule in detail. It is very costly and time-consuming process. Once the research is confirmed, the results are then used to create the brand message. Both these methods need a complete co-ordination, interaction, report and collaboration between the company and the practitioner.
5. Newspaper Advertising and free Standing Supplements: - Companies like Wockhardt, Torrent, IDPI have used newspaper advertisements for products like flabolin (Anti-obesity Drug). This helps doctors and patients both in easy recall of the product. In some publications companies give supplements entirely focused on a disease like AIDS. It also benefits company in terms of building image apart from creating awareness among doctors and the public. It can give lot of benefit to the company specifically in case of OTC products. Retailers gain confidence in stocking the product. Besides general write-ups and articles on need for nutritional supplements, vaccination, tuberculosis etc. help create the general awareness and also help those companies who promote the related products.

7. Tele marketing: - Telephone has become India's largest communication device. Pharmaceutical companies are not exceptions not to use this media. Wipro when introduced its baby product had used telemarketing for GPs and Gynecologists in Mumbai. What is important is the Script, which should be well prepared, and rehearsed companies generally use ladies voice to a group of doctors. It is the most economical media and can produce greater results. But prior relationship with the respondent is needed. Professional telemarketing agencies and a well-designed text can provide wonderful results.

8. Video Cassettes: It offers excellent visual communication without the television's time limit. Companies are using it successfully for explaining applications, innovations, research in surgery etc. Even video magazine like "Media Plus" was launched in which companies release their advertisements.

9. Television: Medical TV programmes are yet to become popular in India, but globally, televised medical programmes are quite popular. In
US marketers use television for special programmes to deliver medical education to physicians. This will include publications of research papers or new knowledge in the management of diseases. Such programmes are produced in collaboration with academic or scholarly groups. There are TV networks in US like lifetime Medical TV (LMT) and American Medical TV (AMT), which are very popular among physicians. Companies sponsor such programmes and benefit from it.

Apart from special programmes there are ongoing serials also directed at physician groups. Medical serials are created like Physician’s Journal Update, Cardiology Update, Family Practice Update and Infectious Disease Update etc. Whereas in India companies produce films only for private screening. Firms have realized the impact of audio – visual promotions and they prepare videocassettes to be gifted to physicians. The major hurdle in India is the government regulation. Special TV programmes for doctors are subject to FDA/DCI (Drug Controller of India) regulations. An authority has to certify that the issues dealt with, have independence, objectivity, balance (giving coverage to the sponsor’s rival products and covering enough viewpoints on every issue) and scientific rigor.

These FDA/DCI guidelines can be used as starting points by industry to inform medical profession about new products, procedures, equipment etc. For complete patient care, medical communication is must particularly in India where medical facilities are inadequate and TV is an ideal medium for providing this. If medical professional approach government with a proposal for medical TV in collaboration with pharmaceutical industry, something can be worked out. However, sponsorship for commercial interest has to be taken care of, otherwise credibility of the programme will suffer. Besides the sponsor controlled programmes must be fair (also mention the side effects) in the overall
benefit of the society. Companies will have to shell out good budget to produce effective programme, as television is a different media and communication skills of the experts and host are crucial.

10. Group Detailing: - As group practices are increasing, campaigns, using multimedia presentations aimed at group of practitioner in big hospitals, nursing homes etc are increasing which is cost effective as well. Thus, in various ways one can make it's communication mix effective. But the major factor is how do you design the communication and how creative/innovative it is.

PROMOTIONAL MATERIALS

The company representatives are the most important promotional tool to achieve 'share of mind of the doctor, however, brand recall while prescribing is very important for the sale of the product, which is possible through various materials designed for doctors for brand recall. The different promotional material used is:

1. Gifts with company name embossed on it
2. Brand recall materials like posters, calendars, paperweights, pen stands, tabletops, watches etc.
3. Samples
4. Compliments and literature-which requires much of the creativity of product managers so as to make it as attractive and as distinct as possible.

Companies design the materials according to season also. It is obvious to spend on promotion material as per the seasonal diseases because otherwise it would be mere waste of resources. Besides promotional materials used by a company will not be the same throughout the year and it
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will be prepared, periodically. Depending upon the particular objective the promotional materials would be designed keeping in mind various factors like emphasizing on brand recall, optimum use of material, seasonal requirements, specific segment of doctors gaining share of mind etc. Promotion of branded products is considerably different from promotion of generic products. Selling a brand is more important than selling the product in case of branded products, as brand offers identity and image to the company. Whereas, in case of generics no commercial packing cost is involved the product is basically promoted through offering higher margins to retailers. Promoting generics is not the marketing phenomena in India at present. The reason is here our per capita drug consumption is very low, whereas in western markets due to high per capita consumption and presence of patents, generics market is huge. Besides western markets are saturated, while Indian market is growing at a very high rate. Thus companies can afford to bear the cost of promoting branded products.

Finally, as mentioned earlier, promotion of OTC products is similar to that of consumer products. These products are promoted to build up corporate image, higher profitability, more sales volumes and more channel support, as they constitute low price high volume products.

In the last decade, there was an escalation in the quantity, quality and cost of sales promotion in the pharmaceutical industry. Drug samples became just a small constituent of a large sales promotion programme. Companies started using several tactics to fulfill the whim and fancy of the medical fraternity by tailor-made gifts, family holidays, group picnics at exotic locales, educative cruiser in expensive five star cruise ships, sponsorships to attend conferences, hefty donations in medical conferences, seminars and continued medical education programs etc.

Due to the presence of large number of companies (24,000 or so), each one trying to carve a niche for themselves and more than 1,00,000 formulations
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(majority me-too products), sales promotion became the sole criteria to promote the products and provide optimum profit. But things are changing very fast. The electronic information media is providing much needed education to the common man regarding their rights and available alternatives. Besides, the same media will help companies to bring the latest developments in medical science to the fingertips of the medical practitioners for enhancing their knowledge base.

One of the most beneficial impacts of WTO regime will be that only R & D driven companies capable of developing new molecules and NDDS are likely to survive in the post 2005 era. Smarta (1999) has observed that there will be reduction in me-too products and sales promotion efforts will shift towards updates on the advances in treatment of diseases, information on NDDS and R & D news plus discovery of NCEs to the medical practitioners. Thus, this is perhaps the most opportune moment for the marketing heads to reconsider the sales promotion approach in preparation for the patent regime.

3.6.6 PERSONAL SELLING

Intense competition in the pharmaceutical industry makes the implementation of marketing and sales strategies very crucial. Pharmaceutical marketing is a specialized type of personal selling. The medical representatives have been playing a major role in the marketing success of the company since half a decade. In early 70s, the doctors were serviced by medical servicemen (MSM). These MSMs were fully equipped to impart medical knowledge and training in the use of new therapies. They used to update physicians in pharmacology (this course was less emphasized in M.B.B.S. Curriculum). Physicians used to get updated about progress being made in R & D by these knowledgeable MSMs and Medical Practitioners used to respect them. But in the late 70s, these MSMs were
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converted into salesmen whose job was only to generate prescriptions and any questions raised by doctors on medical issues were to be routed to head office. Thus slowly, in a competitive market, this position developed sales orientation.

In the promotion of ethical pharmaceutical products, medical representatives are the link between doctors and the company. Though some companies have tried to use alternative media, for e.g. U.S. Vitamin and Sandoz appointed franchisees and marketing agents, Cipla took a big step in reducing the reliance on MRs by addressing doctors directly through mail and telemarketing. But in majority of the other cases/companies, MRs still play an important role. Cipla also appointed management trainees while introducing this innovative way of direct mail to doctors. Thus, completely eliminating the human factor will not be possible. It is the medical representative's manners, knowledge and his ability to strike a cordial relationship with doctors that helps companies to develop the market for their products. Srivastava (2001)\textsuperscript{38} has considered usefulness of medical representatives in terms of-

- Helping the doctor recall brand,
- Making the doctor aware of various characteristics of the product,
- Helping the doctor to know about new products and latest innovations,
- Helping the doctor to understand competitive position of the product in relation to the price of a product.

\textsuperscript{38} Srivastava R. K., It’s all about relationships, Express Pharma Pulse, Oct 4, 2001, pp 10
SALES ORGANISATION

Any organization requires the existence of structures and systems to operationalize the strategies and achieve the objectives. A sales organisation is an orienting point for cooperative endeavor and structure of human relationships. Still, Cundiff and Govoni (1999)\textsuperscript{39} have mentioned that the purpose of a formal organization structure is to permit the development of specialists to assure that all necessary activities are performed, to achieve coordination and clearly define authority and responsibility. In pharmaceutical industry previously the concept of one national sales manager with a team of Zonal Managers was very popular wherein the complete responsibility of promoting the product was of Medical Representatives. But that concept is no longer workable now. Each organization is trying to find newer formal and informal ways in order to ensure effective functioning.

More and more organizations are now trying to adopt flat structure with less number of hierarchies. Other innovative ways are also applied like flexi-time structure and informal structure. In case of flexi time Structure the companies feel that by bifurcating the working hours, concentration on selected doctors can be increased. So a team of Medical Representatives is appointed to work in morning hours and other team is assigned the evening calls. Many companies launch their new products with this structure. In case of informal structures companies promote the hospital products through a set of promoters who are paid by distributors or an outside agency and trained by company managers. Such an additional set of promoters help companies in focused efforts in hospitals.

\textsuperscript{39} Still R.R., Cundiff E. W., Govoni N. A. P., Sales management: Decisions, strategies and cases, Prentice Hall of India pvt Ltd, New Delhi, 1991, pp 182
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Product or market related structures are also very popular in pharmaceutical industry. Product Managers are assigned few products and their exclusive job is to follow up these products. This type of structure is somewhat confusing, as the Medical Representatives will have to keep liaison with branch managers as well as product managers. But stiff competition is putting pressure on organization for survival.

Competition is forcing organization to go in for responsibility centered structures also wherein zones are made profit centers. Each Sales Managers gets a budget, has the right to choose products, promotion mix and the cost and has to generate profit. In other case, if a product is strongly demanded in a particular market might go in for market related structure. In case of hospital products and medical equipments market related structures are designed.

Thus, in pharmaceutical marketing where cutthroat competition is there, companies try to evolve as effective a structure as possible so as to get through administrative support and generate profit. Besides, organizational planning is a continuing activity, and the sales department structure is adjusted to changing marketing needs.

RECRUITEMENT & SELECTION

Andre (2001)\(^{40}\) has found that in pharmaceutical marketing the most important promotional material is the quality of field force and it’s coverage (number of MRs) for the target segments. Higher the number of medical representatives, better would be the coverage. But ultimately it’s the field force’s efficiency, which matters most. A medical representative has to be very systematic, objective, having complete product knowledge, possessing good manners and commitment to the

\(^{40}\) Dr. Andre Bates, What is the return on my detail?, Express Pharma Pulse, 7th Anniversary Special, Nov 22, 2001, pp 4-6
job and his profession. Medical representative (MR) is a most critical link between the company and the outsiders like physician, stockist and chemist. Importance of MR is evident from the fact that number of MR on company payroll judge strength of any pharmaceutical company in Indian market. Typical roles played by MR are as under:

**THE SUCCESSFUL PHARMACEUTICAL SALESMAN**

We are all salesmen in some way or the other. This is certainly true with respect to interpersonal relationships during our daily lives. Selling is a challenging and rewarding profession; along with being a very demanding one also. High on the list of qualifications is industriousness—the willingness to work hard and to put in long hours, sometimes in the speculation of short-term rewards. Motivation, perseverance and drive are indispensable attributes for success. Successful selling combines both artistic and scientific talents, most of which can be acquired through training and self-development. A successful salesman needs to have good personality, product knowledge and salesmanship.

The personality qualifications are perhaps the most important factor in the initial consideration of an applicant for the selling position. While there is no ideal personality specification, it is possible to single out certain traits, which most successful, salesmen have in common. Along with being well groomed and industrious, persistence and a sense of humour are also desirable attributes.

Unfortunately, the personality qualifications are the least amenable to change and improvement, and they are therefore, the least controllable factor in stimulating and accelerating professional growth. In contrast, the knowledge segment is all encompassing and along with the salesmanship, knowledge segment has a large scope for improvement. The knowledge segment includes the basic education, experience and the training he gets from the company from time to time. This segment also includes a thorough knowledge of company's products and those of competitors. Detailed knowledge of the application of these products and of the benefits to the customers must also be understood. Prices and company policies must be understood. Everything in this segment can be acquired through study and effort. Knowledge should continue to increase throughout the
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salesman’s entire career because it has a definite bearing on the degree of success, which the sales manager attains.

Job Specification of medical representatives

1. Gaining complete product knowledge about the products to be sold—literature, prices and operating instructions.
2. Creatively selling products and services.
3. To call regularly on doctors in the assigned territory, remind them of the company’s already established products and introduce to them any newly marketed drugs.
4. To distribute samples of the company’s drugs mostly the newly introduced ones, on his visit to a doctor.
5. To call on chemists/stockists within his territory at regular intervals analyzing their complaints, helping them in solving problems like breakages and expired goods and updating them on sales related marketing policies of the company.
6. Traveling and managing the expense in the field.
7. Submitting the reports, correcting mailing lists, assisting in the preparation of sales forecasts and territory analysis.
8. To send feedback regularly to the company, through the supervisors, all the pertinent information on the trends in medicine and in the drug industry, new products and new uses of old products, and changes in business conditions—particularly regarding competitors, activities which might affect the company.

According to Smarta (1997) the salesman who is a good planner and a good manager of his/her time will usually score high in quota accomplishment and earnings.

THE SUCCESSFUL PHARMACEUTICAL SALES MANAGER

All the traits, which are important for the success of the salesman, are equally important for the success of the sales manager. The surest way to win consideration for the job of a sales manager is to perform outstandingly as a salesman. For the consideration of a sales manager a forth dimension is necessary and that is of leadership. He/she must be able to motivate men under him/her. The manager must also appraise and counsel subordinates on a regular basis. Setting goals and applying necessary controls also form a part of the

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responsibilities of a successful sales manager. The manager must also be skillful in selecting and recruiting new salesmen.

TRAINING

Selling pharmaceutical products is technical in nature. Vadeyar (2001)\textsuperscript{42} clearly specifies that medical representatives would be selling the product to a doctor who is highly knowledgeable and one has to talk about technical superiority of your product against competitors, therefore, it is necessary that the field force acquire thorough product knowledge. That is the reason why pharmaceutical companies spend a substantial amount of time i.e. 3 to 4 weeks for the initial sales training programs for its sales force.

Product range is generally broad in pharmaceutical companies, though it depends upon the presence of the company in various therapeutic segments. But, generally, a growing company with strong focus on R & D, lend up in a situation where it holds at least 2-3 molecules in all the therapeutic segments. Therefore, it is all the more necessary for the company to impart complete product knowledge to MRs so as to make them feel confident while talking to doctors.

Besides, companies lay emphasis on the selling skills also, during the initial training program. In case of pharmaceutical marketing, till now, there was a trend that companies used to prefer science or pharmacy graduates, so that less expenditure would be required in training them. But, with the change in the environment, companies now emphasize more on the candidate's analytical skills and communication skills. Product knowledge can be imparted to any graduate during one month's training programme, so that he/she has sufficient knowledge to talk to doctors. Thus more and more companies now prefer management graduates with or without science background so as to take advantage of their excellent analytical and communication skills.

\textsuperscript{42} Vadeyar Madhusudan, Training: An ongoing process, express Pharma Pulse, Oct 2001, Vol 7, No 51, pp 10
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The initial training programme is generally organized at the head office near the factory, if the number is big enough to justify the cost. During the training, they will be provided product knowledge, so that they can handle objections well. Besides all required information on sales related marketing policies (product policies, pricing policies and distribution policies), competitors, customers etc. is provided. Selling skills are also emphasized so that they can maintain discussions and aim at successful negotiations. Such training will help them in social interactions and reacting to situations positively, and thereby developing the company's image in the market.

The once imparted training needs refinement as well as reinforcement and continuous up gradation. For that purpose continuous training in terms of seminars, conferences, review meetings, specialized training and workshops is also provided. Depending upon the objective of training a particular method of training would be selected. If product knowledge is to be given lecture and demonstration methods will be used, whereas, if selling skills were to be developed role-plays, exercises, games and group discussions would be more effective. Besides some specialized training programs are also organized, may be once in a year, which is a step towards management development programmes. Here, the employees will get a chance to grow to higher-level cadre if they, have potential.

On the job training is also one of the essential element of training, which is imparted by the immediate supervisor or middle level managers/district managers. Frequency depends upon the need and convenience of both. This helps gain control over as well as efficiency improvement of the field force. Thus, training is an area where companies have been contributing good resources and consider it as an investment to develop its valuable human resource.

FREQUENCY & PERIOD OF TRAINING

Periodic training programs will have the motivational effect on the field force. The higher the frequency the higher is the motivation. Besides, such interactions bring them closer to the company. Field force generally moves in the field and has little
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belongingness with the company. Frequent contact will help them identify themselves with the company, which is very much essential for building up the confidence and morale of the field force.

Product knowledge is the base. Once this knowledge is given there is a need to refine it and improve upon. Hence companies design programs once in three months or six months. Frequent programs are organized mostly at the local level, so that the territory is not disturbed. Performance appraisal meetings are more frequent and at times it also acts as orientation programs.

The companies also organize conferences or Annual Sales Meeting, but as it is at the national level, it can be once in a year. The objective of such meeting can be motivation and review of the field force; announcing new product launches, announcing change in company policies, giving away the awards for best performances (territory wise) etc. Workshops and seminars are the technical sessions where emphasis is on the product; it’s development, new products, new usages of the product etc. It provides value addition to their existing knowledge.

MOTIVATION OF SALES FORCE

The inherent nature of the sales job is such that it requires additional motivation. The salesperson will have to satisfy both company as well as customer, they will come across various types of customer as well as competitors salespersons, thus there will be many ups and downs in his life, thereby making it a difficult job. Therefore, companies would always like to add the concept of incentives in the overall compensation structure. Apart from salary, the companies generally incorporate following components in its overall incentive plan:

- Membership in company clubs or outside associations for fulfilling their esteem need opportunity for advancement, promotion etc.
- Awards, letters of association for good performance during annual sales meetings
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❖ Company image itself can be one of the motivating factors. Employees feel good about working for a company, which has a good corporate image in the market.
❖ Monitory benefits also known as fringe benefits which includes housing loan, interest free vehicle loan, bonus, daily cash allowance, tour allowance, magazine allowance, reimbursement of expenses incurred on customers etc. are some of the examples.
❖ Companies keep sales contest in particular product categories lasting for one to four months with specific objectives like pushing seasonal products, launching new products, overcoming overstocked situations, selling more profitable products etc.

All these motivating factors help companies overcome or reduce one of the major problems being faced by the company i.e. high sales force turnover ratio. High degree of insecurity prevails among the field force and the pressure on sales performance or targets is always there. Besides, as far as sales position is concerned, there is no dirth of jobs due to large number of companies in this industry. But for the company it is a huge cost as company spends a lot on recruitment, selection and training of its field force. In presence of a good motivational programme/package the company will be in a position to retain it's employees.

FIELD FORCE EVALUATION

Since representatives are the ambassadors of the company they need to carry the company image properly. Testing this ability is important and that is why performance appraisal is needed. Companies evaluate their representatives in terms of sales targets achieved, territorial coverage, feedback from market about customers and competitors, involving in decision making, maintaining the image of the company etc. one of the very important way of recording the actual performance of the representatives is through sales reports. Looking to the immense competition, medical
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representatives need to submit daily sales reports which incorporates following information:

1. Calls on doctors
2. Products discussed
3. Samples, literature or gifts given to doctors
4. Doctor's profile
5. Doctor's preference for various molecules
6. Any special offer or incentive for the doctor
7. Calls on Stockists and Chemists

Besides, companies also seek reports on plan for the next week to check how good he is at planning the visits and then next week he will be required to submit the report of the last week’s calls. This also helps companies cross check. Some companies also ask for expense reports and lost business report. Sales person's reports are scrutinized to find out weaknesses in product, company policies or MRs themselves. If needed changes are made in product and policies and MRs are given reward for their performance or given further training whichever is needed.

3.6.7 Latest Trends in Pharmaceutical Marketing

RELATIONSHIP MARKETING

The way to achieve a superior market position is to build relationships with customers based on trust, responsiveness, and quality. Srivastava (2001)\(^4\) has defined relationship marketing as “Bringing quality, customer service and marketing together”. In the early nineties, the concept of database marketing was very popular but in the later half of the nineties there was a gradual shift towards relationship marketing. But the fact remains that the

\(^4\) Srivastava R. K., It’s all about relationships, express Pharma Pulse, Oct. 4, 2001, pp 10
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foundation for effective relationship marketing lies in the development, maintenance and effective uses of databases.

Relationship marketing differs from the earlier concept of marketing of increasing the customer base. Relationship marketing emphasizes on retaining the customers rather than increasing the customer base. As per Parato’s law 80% of the total sales comes from 20% of the customers and thus, relationship marketing optimizes the resources-by focusing on the 20 percent consumers who bring 80 percent revenues.

There are three important pre-requisites of relationship marketing—empathy, eagerness and empowerment. Empathy for customers needs to be developed. It is the ability to put oneself in the customer’s shoes and also read customer’s body language and other signals. Eagerness to serve customers is a very rare quality possessed by employees. The organizations overcome this problem by recruiting the right person. Empowerment of the relationship manager is very crucial to make the whole thing work. For the customer, it is the employees who represents the company, so sufficient powers should be given to the representative so that he doesn’t have to check everything with the office first and then fulfill the customer’s requirement.

Ultimately, each customer has to be given individual attention by the relationship managers. Besides, one of the prime important aspects is the quality of the product, which is, if not up to the mark, relationship marketing will fail, as customers will not accept an inferior quality 2001 product. Even though, the company may be good in developing customer relation with a poor product it cannot exercise relationship marketing.
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CO-MARKETING

To face competition big Indian pharmaceutical companies are joining hands. D. Satish (2001)\(^4\) has explained Co-marketing, as coming together of two or more companies to provide products to the end customer or influencer. It is normally in the form of manufactured by one and marketed by other.

Alternatives: -

(i) Big company joining hands with small companies has been very popular. But it can come under NPPA’s close scrutiny. Besides, due to VAT system and excise duty change, approach has changed and big companies may buy such small companies.

(ii) Small companies come together and tie up with each other and start selling products of others in areas where they are operating.

(iii) Big companies joining hands to market products: - This is now a trend. Cipla and Ranbaxy joined hands for promoting Ciplox OD. And in a first of its kind move in the industry, India’s top pharmaceutical companies, Glaxo, Cipla and Ranbaxy will be jointly co-marketing Ciprofloxacine OD (from Ranbaxy’s NDDS research pipeline). Thus both Indian and MNC will work together to leverage their combined strength in marketing and distribution to ensure that the product reaches to the maximum number of patients.

Advantages: -

(i) Cost advantage to marketing company

(ii) Small company can run the factory and earn profits

(iii) Helps small companies to become more quality conscious due to better technology transfer

(iv) Small scale also becomes more professional

\(^4\) D. satish, Team Analyst, Case Study- Glaxo Smithkline Beecham- the Alchemy of Mergers, Chartered Financial Analyst, July 2001, pp 41-46
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(v) Out of price control as it is manufactured by small scale

E-DETAILING

Electronic Media has in one or the other way, to a lesser or greater extent spread its feathers across all businesses. Pharmaceutical industry is no exception- observes Ashwin, Sankar and sanoke (2001)45. E Detailing is under consideration by the majority of pharmaceutical sales and marketing departments. Now, live and virtual form of e detailing is widely known. Companies assess this activity based on ROI (Return on Investment) i.e. Calculating the return which company gets after deducting what was spent in creating and maintaining the system.

The objective of e-detailing is to increase the number of prescriptions written while reducing costs. There are many examples in USA. Novartis used physician Net Video Conferencing Style System (live e-Detailing) and it was observed that virtual representatives were able to complete 13 calls per day, as compared to eight calls by field representatives. The cost per virtual representative was $ 18,000 per year less than field representatives. The ROI was 20% higher. Following is the price of various e-Detail in the US:

TABLE 3.4

EXPENDITURE ON E-DETAILING IN US

<table>
<thead>
<tr>
<th>Price Per Average</th>
<th>e-Detail in the U.S. (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>i-Physician Net</td>
<td>$80-150</td>
</tr>
<tr>
<td>Market Rx</td>
<td>$25</td>
</tr>
<tr>
<td>My Drug Rep</td>
<td>$50</td>
</tr>
<tr>
<td>Physician Interactive</td>
<td>$100-$125</td>
</tr>
<tr>
<td>Rxcentric.com</td>
<td>$60</td>
</tr>
</tbody>
</table>

Source: Mednet Media, Mckinsey Analysis, www.Mckinsey.com

Companies need to consider products, physician type, measurement metrics and measurement methods. Deciding whether e-Detailing is appropriate for a country/product or not is a key issue before developing e-Detailing capabilities. Factors like drug stage in lifecycle and segmentation of physician prescribing patterns are major issues to be considered.

Group practice among Medical professionals

American Medical Association (AMA) had tracked medical practice in US way back in 1930s wherein a group of doctors join hands in treating the patients. Smarta (2000)46 has found that in India AMA carried out a census in 1991 and found that Kerala was the first state to organize group practice in India in the 90s. This survey also revealed that in India most groups are small i.e. 45 percent consist of only 3 to 4 physicians and 245 of 5 to 6 physicians, but some very large groups included 100 physicians which was 335 of all group physicians. There were three specialities found, single speciality (71 percent), multi speciality (22 percent), and groups into family or general practice (7 percent). The single speciality group included specialties like obstetrics, gynecology, radiology, and pediatrics. The multi


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speciality included internal medicine, family practice, general practitioners and surgery.

Such type of group practices are now common everywhere. Companies do identify such groups and try to approach the whole group by influencing one opinion leader. Video screening of latest development in the area of medicine or surgery will be arranged by the company at the convenient place wherein the group leader will guide other members and will initiate the discussion. The company would sponsor the whole event. The advantage here is that many a times in group practice they prescribe medicines according to a formulary. Thus companies if can influence the whole group then it will get a regular loyal subscriber. This group practice phenomenon is going to gain momentum day by day.

The future perspective of healthcare in India is going to be different in light of the fact that medical insurance sector is opening up. The existing hospital scenario may change into health maintenance organizations (HMO), Preferred Provider Organisation (PPO), Medicare and Medicaid (Managed Care) etc., the way it is at present in US. Large groups like Wockhardt, other corporate hospitals may venture into it. Besides speciality groups like Apollo and other big trust hospitals will also attempt to take care of the quality as well as cost, establish their own pharmacy, prescribe according to a formulary, use computerized utilization review system etc. All this will evolve in the wake of changing healthcare and medical insurance reforms. Marketers will also have to recognize these facts and act accordingly.

REFERENCES