Chapter 6
Major Findings and Discussion

6.1. INTRODUCTION

The comparison of marketing strategies is examined to find out the differences in the marketing strategies of pharmaceutical companies of Madhya Pradesh. To compare the marketing strategies, following variables are chosen:

- Segmentation, Targeting and Positioning Approach
- Marketing Mix Variables which includes Product, Price, place and Promotion
- General Marketing Strategies which includes Aggressiveness, Defensiveness, Adaptability and Specialization

Similarly the impact of marketing strategies on sales growth is also examined. The results pertaining to comparison of marketing strategies and their impact on sales growth is presented in chapter four and five.

This chapter presents the major findings and discussions of the empirical results obtained through the statistical analysis. As stated earlier, eleven hypotheses are formulated for comparing the marketing strategies of pharmaceutical companies of Madhya Pradesh. Similarly to find the impact of marketing strategies on sales growth, nine hypotheses are formulated.

6.2. Discussion of Results Pertaining to Comparison on the Basis of Segmentation, Targeting and Positioning (STP) Strategies

The results shows that there are differences in STP approach adopted by different pharmaceutical companies of Madhya Pradesh. The results shows variation for different type of companies and for particular strategies. All type of companies have differences in their segmentation strategies but in case of targeting strategies there are no differences between MNCs and large domestic companies. Similarly small-medium domestic companies and large domestic companies have no differences in their positioning strategies.
Conceptually any business strategy should be based on understanding, meeting and even exceeding the needs of target segments. Central to this is the identification of the existing and potential customer base, an understanding of underlying diversity and the evolving needs and wants of target segments. Next is the response to segmentation, namely guidelines for the development of products and services. Finally, the product positioning provides the foundation for the rest of the marketing strategy and the processes, resource allocation decisions and other activities of the firm (Snyder, Jacoby, Krishna, & Sairam, 2008).

Mittal & Singh, (2010) analyzed the various segmentation bases for different pharmaceutical companies and found the similar results. He found that different companies use different segmentation basis. These bases include demographics, geographic and psychographic. They also concluded that a clear reading of prescriber's needs, behavior, perceptions and prescribing processes is required to formulate accurate, verifiable segmentation strategies.

After the number of intellectual property (IP) and regulatory reforms the MNCs are re-entering the market in India. MNCs are targeting attractive therapeutic areas by bridging gaps in their product portfolios but achieving profitable results in the Indian market will also require innovations in pricing and marketing because restrictions on replicating patented products will give domestic companies greater incentive to invest in R&D (Snyder, Jacoby, Krishna, & Sairam, 2008).

Purcarea, Ratiu, Purcarea, & Popa, (2009) have the opinion that by 2020 the current role of the pharmaceutical industry’s sales and marketing workforce will be replaced by a new model as the industry shifts from a mass-market to a target-market approach to increase revenue.

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6.3. Discussion of Results Pertaining to Comparison on the Basis of Marketing Mix (4Ps) Strategies

On the basis of empirical results it is clear that all the three types of companies have differences in their product, pricing and distribution strategies. While the results pertaining to promotional strategies reveal that there are no significant differences between MNCs and large domestic companies. These differences in strategies are due to many reasons some of which include the government regulations and IP environment; domestic competitions and pricing; insurance and distributions; and disease and prescription patterns.

Snyder, Jacoby, Krishna, & Sairam (2008)\textsuperscript{173} highlighted the issues related to above mentioned reasons and concluded that pricing challenges and government regulations have acted as a barrier to introducing blockbuster drugs in India while many brands with similar features has made it difficult for companies to differentiate in the doctor’s chamber. Mid-size companies have employed aggressive pricing and higher sales incentives to claim market share, but MNCs are limited by the global floor prices set to avoid parallel imports. Pricing in India is further complicated by the fact that the government can introduce price controls over any drug.

Agrawal & Thakkar, (1997)\textsuperscript{174} suggested that companies should not increase the prices when the patent is about to expire, rather if the marketing strategies are well planned the costs involved in product development can be recovered even after the expiry of the patent. Companies need to have a combination of product modification, promotional and pricing strategies to save a company from losing market share on a patent expired product.


A vital aspect of the global pharmaceutical industry are the patents, whose protection is essential to stimulate basic R&D and make it commercially viable; because the pharmaceutical industry is characterized by heavy R&D expenditure, only the large pharmaceutical companies can allocate significant resources for Research and Development (R&D) to introduce new products (Purcarea, Ratiu, Purcarea, & Popa, 2009).

Singh & Surendar, (2003)\(^{175}\) focused upon the strategies used by small and medium scale pharma companies to meet the challenges of the patent regime. They found that the larger companies were preparing for the new patent regime since 1995 onwards, however the small and medium scale pharma companies did not make much of an effort.

Pharma companies are exploring further avenues through forward integration with health care and medical equipment. The forward integration of pharma and health care services is resulting in health care kiosks owned by pharma companies or health care companies (JSB Intelligence, 2005)\(^{176}\).

An effective promotion mix is a critical part of all marketing strategies. Designing an effective promotional mix involves a number of strategic decisions. Speed of return on promotion investment in relation to strategic objectives, nature of information, nature of distribution, image requirement, and others are some of the strategies of evaluating the effectiveness of the promotional mix on sales (Kamba, 2010)\(^{177}\).

The findings of the study by Kamba (2010) recommend that market share measures should be used as market performance indices. It is clearly desirable for the individuals concerned to have thorough knowledge of the promotion mix elements, which generate market share figures, and to be able to analyze the


\(^{176}\) JSB Intelligence. (2005). Strategic analysis of the pharma market: Future revenue models and key players. United Kingdom: JSB Intelligence

impact of their promotion mix on market shares, as well as their profit implications.

Pharmaceutical selling is a typical example of marketing communication to a distinguished segment of the society i.e. doctors through personalized communication where brands are promoted through audio-visual, impact of displaying printed material and detailing (Vyas, 1994). It is found that the large organizations will be comfortable in doing this kind of exercise as they can invest in marketing activities and change the rules and policies; either it is making more OTC brands available or marketing prescription drugs through medical representatives.

Pharmaceutical firms spend a large amount of money on marketing communication directed towards physicians (Wittink & Neslin, 2002). Out of the above expenditure, the major head was under the detailing budget that included personal sales calls on physicians. Since detailing is a personal interaction between a physician and the firm’s representatives, the budget allocated is spent at the individual physician level. The spending of large amount of budget can be afforded by MNCs or large domestic companies.

Doctor-targeted promotion such as gifts, such as free samples, small stationery, travel to conferences and educational events, sponsorship of conferences and educational events, the use of key opinion leaders, funding of medical journals through advertising etc. requires huge amount of budget. As mentioned above the MNCs and large domestic companies can have sufficient amount of fund to be spent on marketing communication and promotion activities. Hence the strategies of these companies differ from that of small & medium companies.

In order to keep up with the competition and changing consumer needs and wants in the competitive business environment, pharmaceutical companies need to use effective marketing mix strategies in managing for them to survive. Changing

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consumer needs and business environment has necessitated pharmaceutical companies to adopt marketing mix strategies to gain competitive edge hence attracting and retaining customers. Product, price, place, and promotion strategies have remained key roadmap of any successful pharmaceutical company.

It was established that quite a number of pharmaceutical companies use marketing mix strategies but on a little extent due to internal and external challenges in the business environment like high costs associated with marketing the pharmaceutical products, inadequate training of staff on customers care relations by the pharmaceutical firms and ineffective policies formulated by the Government and relevant authorities to promote the pharmaceutical industry. Therefore, the pharmaceutical companies should embrace strategic marketing practices for their survival in the dynamic and competitive business environment through embracing information technology (Abdi, 2009).179

6.4. Discussion of Results Pertaining to Comparison on the Basis of General Marketing Strategies

Early PIMS studies (e.g. Buzzell & Gale, 1987, Bradley & Sultan, 1975), prescriptions grounded in the growth-share matrix (Boston Consulting Group, 1972) and Porter’s (1980) generic cost leadership strategy emphasize the importance of aggressiveness in seeking market share. This aggressive or competitive orientation is often cast in military terms. Kotler & Achrol, (1981), for example, describe attack strategies aimed at increasing market share.

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supported the use of aggressive marketing strategies by the pharmaceutical companies to generate early sales of newly launched products. The report explained that aggressive marketing strategies give their product a larger life time before expiry of patents. But Purcarea, Ratiu, Purcarea, & Popa (2009) suggested that in order to be successful, companies will need to stop the aggressive marketing focusing only on the product of the current model and recognize the interdependence of the payer, provider and pharmaceutical value chains.

Fornell and Wernerfelt (1988) indicated that defensive marketing strategy involves reducing customer exit and product/brand switching through switching barriers and customer satisfaction. Defensiveness also reflects the notion of defense; (Kotler & Achrol, 1981) and hold (Buzzell & Gale, 1987, Bradley & Sultan, 1975) strategies aimed at holding current customers and thereby maintaining relative market share.

Adaptability reflects the key dimension underlying the Miles and Snow (1978) strategic typology (McKee, Varadarajan, and Pride 1989). Madanmohan & Krishnan, (2003) have dealt upon the adaptive strategies in the Indian pharmaceutical industry. They have analyzed several adaptive strategies to be used by the Indian pharmaceutical companies to cope up with the WTO product patent law. They have also analyzed the factors driving the movement towards consolidation and augmentation in the sector.

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184 JSB Intelligence. (2005). Strategic analysis of the pharma market: Future revenue models and key players. United Kingdom: JSB Intelligence
Specialization, generally termed differentiation, has been suggested as a key strategy dimension in the marketing (Abell, 1980)\textsuperscript{188}, business policy (Hall, 1980)\textsuperscript{189}, and industrial organization economics (Porter, 1980) literature.

Differentiation is often used among multinational companies (MNCs) in Slovakia. Adapting marketing instruments to local customers is a way of satisfying a customer’s needs and wants at a much higher level than through marketing standardization. Foreign markets vary and sometimes, due to different legal matters, standardization application is not always possible, so companies see the benefits in the adaptation to the local customer (Roby, 2010)\textsuperscript{190}.

6.5. Discussion of Results Pertaining to Impact of Marketing Strategies on Sales Growth

In case of large domestic companies and MNCs, they have broad spectrum of products and diversified customer base. Therefore STP approach is an essential requirement for them to properly segment the market and accordingly targeting the profitable segment. Segmentation, Targeting and Positioning is essential and necessary approach for any organization trying to survive in the global market. Hence such approach is well suited for large domestic companies and MNCs. STP approach if implemented properly have positive effects on the sales growth as depicted in the results.

Abdulkar (2012)\textsuperscript{191} analyzed the relevance of market segmentation on the level of sales and concluded that effective consumer segmentation can increase the level of demand of a product or service, of an organization. It has also been recommended that profit making organizations should always work around


segmenting customers of their product or service if they want to increase sales in their organization.

The marketing mix variables have significant positive impact on sales growth in case of all three types of companies taken for analysis in this study. Keramati, Ardalan, & Ashtiani (2012) have concluded that marketing mix has significant relationship with the sales performance. Marketing is often seen as a key driver of business performance and profitability and marketing mix play a significant role in firm’s success.

General marketing strategies variables chosen in the present study have variable impact on sales growth. In case of small & medium domestic companies these variables have negative impact and in case of large domestic companies and MNCs, they have no significant impact.