

A DETAILED STUDY ON MARKETING STRATEGY ADOPTED BY INDIAN PHARMACEUTICAL INDUSTRY

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Abstract

The Indian pharmaceutical Industry is driven by knowledge, skills, low production costs, quality. Due to this there is demand from both domestic as well as international markets. This has resulted in a robust growth of around 14% since the beginning of the 11 th Plan in 2007 from about Rs 71000 crores to over Rs1 lac crores in 2009-10 comprising some Rs 62,055 crores of domestic market and exports of over Rs 42,154 crores.

The word 'Market' is derived from the Latin word 'marcatus' meaning merchandise or a place where business is conducted. But for a layman, a market is a place where buyers and sellers meet together for the buying and selling of goods. There has been little effort on the part of India's marketing researchers to systematically identify, analyse and assess the various implications and consequences of Brand on the Drugs market. This study is an attempt to asses Indian Pharmaceuticals market with effective strategy for successful marketing of the brands and explore the importance of brand in the Laboratory chemical business with special reference to their marketing channels and sales promotion activities in the changed scenario of globalisation. The Department of Pharmaceuticals has not been able to take up or launch any major new activity in line with its mandate even after three years of its existence. The main reason for this lies in lack of technical capability since its inception. Therefore there is an urgent need of strengthen the Department in terms of required human resources. It is expected that going forward in the 12th Plan, the Department would be able to play a vital catalytic role in spurring the growth of the pharmaceutical industry in the country and strengthen it to become a global leader in the comity of nations in the global economy. The Market Research is a systematic, objective collection and analysis of a data about a particular target market, competition, and/or environment. It always incorporates some form of data collection, whether it is secondary research or primary research which is collected direct from a respondent. The purpose of any market research project is to achieve an increased understanding of the subject matter. With markets throughout the world becoming increasingly more competitive, market research is now on the agenda of many organisations, whether they are large or small.

Keyword: Indian pharmaceutical industry, International market, Laboratory chemical business, Globalisation

Introduction

Business management research is, of late, seen to pay more attention to marketing related issues. This is partially because of the evolution of the world economy into a global market. More than production, the consumers are turning to be critical factor that determines the future of a product. It can be stated that marketing professional suffers from a lack of clarity on the effectiveness of Brand and its impact especially on Laboratory Chemicals.

Marketing research has gained a lot of importance all over the world in the light of globalisation in recent years. In India, the lack of serious academic research on the influence of brand on Drugs and its influence on consumers has been found to be a major concern. Research attention also needs to be given to the study of marketing channels in relation to the changing consumption habits, new brands, marketing techniques, supply channels etc.

The issues involved are very complex and cover a wide variety of areas including research and development, commercial, political and geographical to name a few. This paper explores the commercial or business issues and their impact on the current Pharma business model. It will also look at strategies being devised to address the lack of innovative new products being developed and approved and the negative impact they have on revenue growth. It will also provide some steps and suggestions that will be helpful in addressing the issue based on changing the changing environment. It will examine the strategies that can be used in focusing research and development as well as changing business models that can be used to mitigate the loss in revenue caused by the patent expiration and a lack of blockbuster medicines to replace them, both in the developed and Emerging Markets.

The Indian pharmaceutical Industry is driven by knowledge, skills, low production costs, quality. Due to this there is demand from both domestic as well as international markets. This has resulted in a robust growth of around 14% since the beginning of the 11 th Plan in 2007 from about Rs 71000 crores to over Rs1 lac crores in 2009- 10 comprising some Rs 62,055 crores of domestic market and exports of over Rs 42,154 crores.

There is no doubt that the Pharma industry is facing challenging times, and only the companies that are able to

- (1) Execute on the strategy they develop as well as
- (2) Carefully access and manage the risks,
- (3) Make the right portfolio and business decisions and
- (4) Improve their processes will be able to have long term success.

Review of literature

Sharma A. N. (1984) defines the word marketing as “all those various activities and services related to marketing, which are responsible for carrying the final product from the producer to the consumer”.

According to Michael Abasolo of Assault Management and Consultancy services, “companies can outsource all their marketing activities instead of hiring a marketing manager to write your marketing plan and training sales people”. Michael believes that outsourced marketing is the way to go. Companies will never again have to worry about marketing and sales staff, confidentiality of client database, and intellectual property of product information, among others, as these can be covered in a contract with an outsourced marketing firm.

Brand image, is the totality of consumer perceptions about the brand whereas brand identity is the total proposition that a company makes to consumers- the promise it makes. A brand image is a picture that appears in a member of your target market’s mind when they see, hear or think about you, your company and your service. (Julee Chance 2005).

Research Methodology

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic.

The analysis of the data involved the following components:

- Tabulations and analysis of the data collected, to reach specific conclusions.
- Focus Group Discussions to explore some observations further and ascertain the validity of the findings.
- Validation of the data using statistical techniques.

Survey of Literature

The first phase of the study comprised a thorough survey of the available literatures regarding the subject. Related articles on this subject in various national and international journals, Drugs manufacturing companies' websites surveyed to understand the previous research in this area in other parts of the world, and the theories and concepts developed. From the survey of literature, the definitions of the relevant terminology, history and trends in the field of Drugs marketing and consumer behaviour in the recent past, the place of brand loyalty in the segment, were studied in detail. Discussions with higher authorities of Drugs manufacturing companies also helped to get some important facts, which were found needful for the research.

Analysis of the Data

The data collected through the questionnaires in the sample survey were tabulated for detailed analysis. Cross tabulations were done on the responses for each question. The frequency for each segment variables such as designation, customer group, nature of the requirement etc was computed and relevant tables prepared.

The tables were scrutinised for opinions and preferences of the sample, and for emerging branding exercises.

Statistical Tools

Statistical Tools were used to analyse the data further for more scientific rigour. A technique named Chi-square test was used primarily to validate the findings.

Chi-square is used to test the fit between a theoretical frequency distribution and a frequency distribution of observed data for which each observation may fall into one of several classes. In probability theory of statistics, the Chi-square distribution is one of the most widely used theoretical probability distributions in inferential statistics. The chi-square test is most widely used to conduct tests of hypothesis that involve data which can be presented in a 2 x 2 table. This is a statistical method to test whether two variables are, independent or homogeneous. The chi-square test for independence examines whether knowing the value of one variable helps to estimate the value of another variable. The Chi-square test for homogeneity examines whether two populations have the same proportion of observations with a common characteristic. Though the formula is the same for both tests, the underlying logic and sampling procedures vary.

Objectives of Study

- 1.) To assess Indian Pharmaceuticals market with effective strategy for successful marketing of the brands.
- 2.) To review the current status of domestic Pharmaceuticals Sector and reasons for major deviation/shortfall in respect of fulfilment of targets and identifying areas of strength and weakness of the Indian pharmaceutical industry.

Hypothesis:

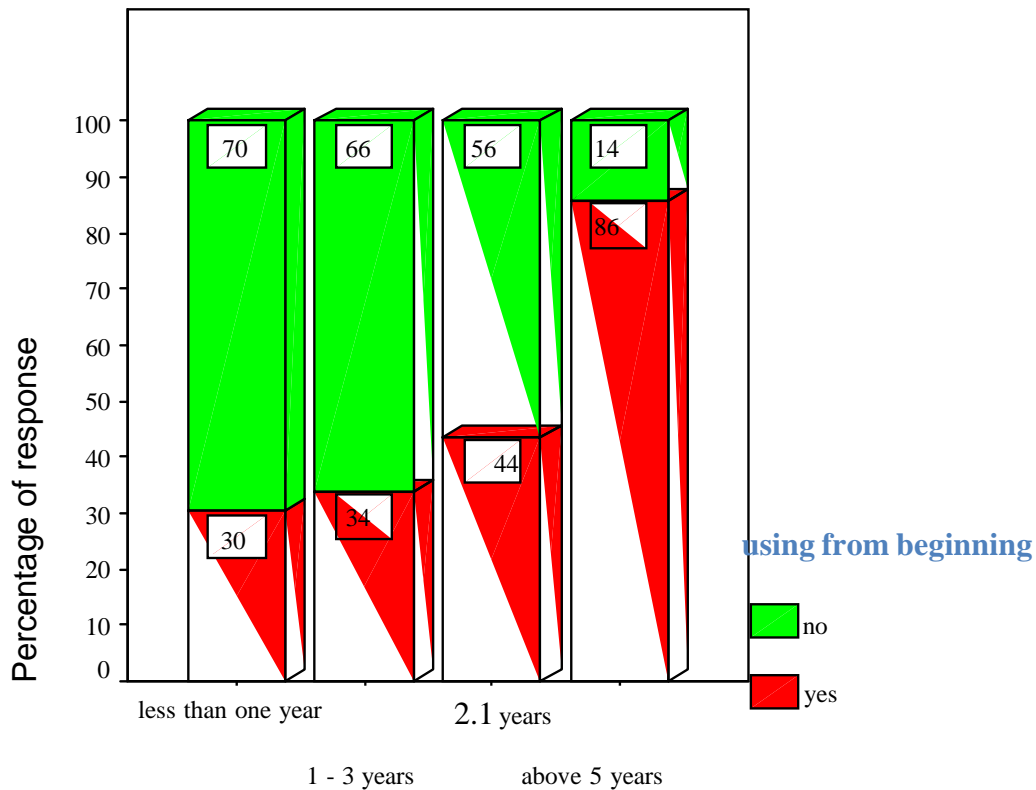
Null hypothesis H_0 : The association between type of buyer institution and the brand most preferred is not significant.

Alternate hypothesis H_a : The association between type of buyer institution and the brand most preferred is significant.

Data analysis

Chi-square is used to test the fit between a theoretical frequency distribution and a frequency distribution of observed data for which each observation may fall into one of several classes. In probability theory of statistics, the Chi-square distribution is one of the most widely used theoretical probability distributions in inferential statistics.

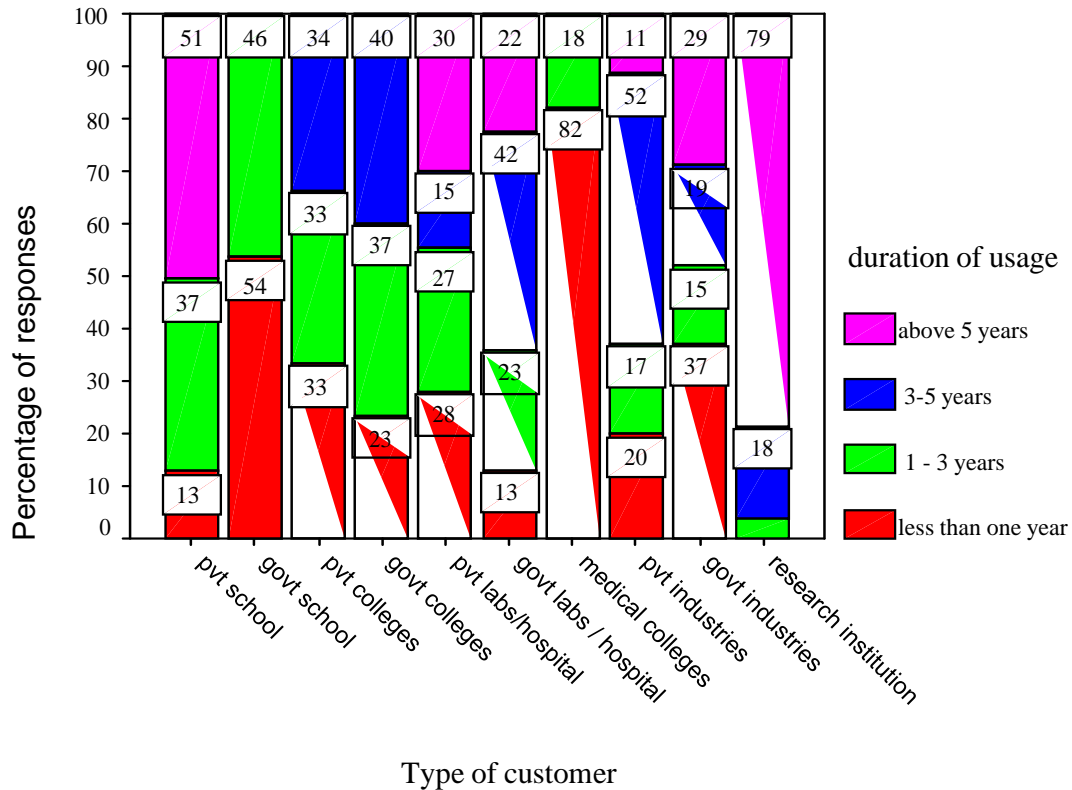
Whether brand loyalty increases with respect to usage duration



Interpretation

It can be seen from the above graph that as customers use a brand for longer period they tend to stick to the brand. It is in the beginning that customers change their brand of Lab chemical. Thus loyalty tends to be correlated with duration of usage.

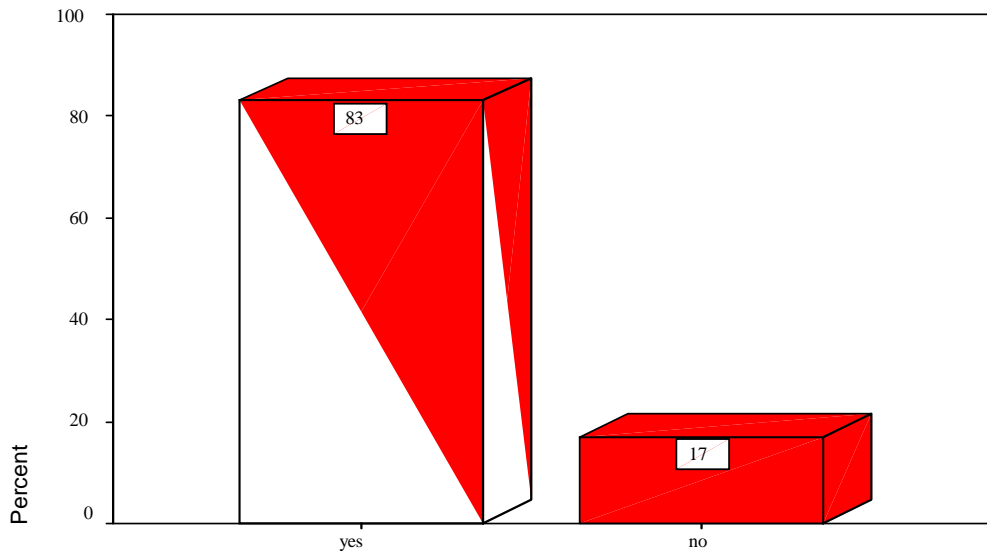
Duration of usage of a brand by the type of customers



Interpretation

The above graph shows that research institutions have been using the same brand for more than 5 years.

Whether percentage of discount increased over the last five years

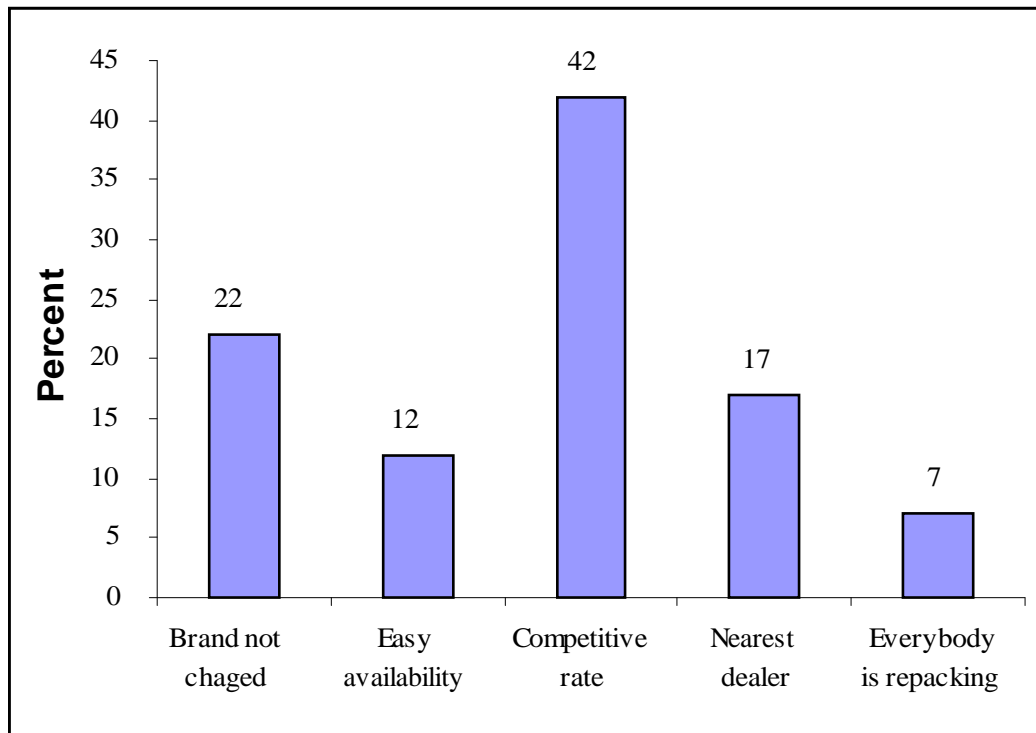


Whether % of discount increased in the last 5 years

Interpretation

The above graph reveals that the percentage of discount offered by the manufacturers to the dealers have been increasing, increasing the importance of discount irrespective of the brand.

Reasons for changing the brand



If changed the brand why

Interpretation

Customers were asked whether they have changed their brand in the past. 22% of the customers have not changed the brand. Out of the rest 42% have changed the brand because of competitive rate.

Conclusion

The issues outlined in the Pharma industry and the potential long-term impacts are very real. It is a combination of the economic issues being faced globally as well as the industries inability to produce new products and services that meet the evolving needs of patients, current and future. If there is any doubt that companies are aware of the problems and are trying to make strategic and tactical moves to change, one only has to take a sampling of the headlines in Pharma magazine publications to get some perspectives. Below are the headlines captured from FiercePharma.com in just one week, that highlights some of the issue's companies are facing as well as the actions they are taking to position themselves for future growth.

The current realities no longer support that philosophy. The lack of approval of new and innovative products with very high patient value makes it hard for companies to realize the growth they had in earlier years. The proliferation of generic drug makers along with a slew of patents expiring means that the revenue stream for branded products can go from hundreds of millions of dollars to tens of millions of dollars or less in a matter of 6 months. The scrutiny and pressure from regulatory agencies to abide by higher safety standards minimize risks and prove greater efficacy means that more time, effort and money have to be invested in upgrading processes and infrastructure. Added to 50 that is every present legal and political risks that have to be managed and mitigated whenever there are accusations or reports of product issues. Slower growth in the developed countries necessities looking at the opportunity to develop business and operations in the Emerging Markets, but along with these opportunities there are also significant threats and this are still an area in which most big Pharma companies have limited expertise.

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