International Journal of Research in Social Sciences
Vol. 8, Issue 12, December - 2018,
ISSN: 2249-2496 Impact Factor: 7.081
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

RELATIONALISM IN MARKETING STRATEGIES IN PHARMACEUTICAL COMPANIES IN NAGPUR

Dr. Sanjay Kothiram Meshram

Abstract

Now a day, many big Pharma companies have responded to the current business climate by engaging in a variety of strategies aimed at paving the way for future success. This study is an attempt 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 pharma industry 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. Regulation also impacts many other issues and stakeholders concerned about issues like Global Warming (the effects of manufacturing plants on the environment) Animal Rights groups (resistance to testing in animals) and many other groups. These groups often have not only the monetary resources but also the political connections that can make it very difficult for Pharma companies to operate to their full potential in many countries and markets. Pharma companies would be well served to understand the concerns and improve these relationships and not get into a situation where they have trouble marketing and selling their products after clearing the high hurdle of research and development and passing product efficacy and safety clinical trials.

Keyword: Brand, Drug Market, Stakeholders, Global Wraming

Introduction

Many big Pharma companies have responded to the current business climate by engaging in a variety of strategies aimed at paving the way for future success. Examples of this are, Merck's recent merger with Schering Plough, a move aimed at consolidation based on perceived pipeline synergies, the Pfizer buyout of Wyeth and Roche's acquisition of Genentech.

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Others have pursued the path of diversification as is the case with Johnson and Johnson, Novartis or Abbot that have significant business activities outside of the traditional pharmaceutical arena engaging in areas such as consumer products, healthcare services, medical devices and medical diagnostics. Yet other companies have taken the path of focusing on the 'Emerging Markets' that are in some ways considered largely untapped potential like Astra Zeneca and Glaxo Smith Kline's focus on China and India respectively. These are examples of changes that point to the fact that many Pharma companies do not see the current situation as a temporary setback. Many are making the decision to work with former competitors (Eli Lilly, Merck and Pfizer working on Oncology in Asia,) or revamp their research capabilities as seen with Eli Lilly and Covance recently signing a 3 year biotechnology services agreement where Lilly will test bio products at Covance's new biotech facility (Lilly February 26, 2010 press release). Companies are also trying to improve their manufacturing capacity and efficiency (many with a variety of Six Sigma process improvements) and commercial models (Merck embarking on a new way of engaging with their customers) in order to be successful in the future.

Increased Generic Competition

Generic drugs have always been a big challenge for the established big Pharma companies. Big Pharma companies spend many years and millions of dollars (approximately $802 million estimated by the Congressional Budget Office, CBO) from discovery to product launch. In 1976 the estimate was $137 million dollars and by 1990 it had increased to $445 million dollars. These companies are able to take advantage of their hard work and investments while their patents are in effect, but as soon as these patents expire, the generic drug makers are able to undercut the big Pharma profit margin within 6 months by producing lower cost, and in most cases very effective alternatives .

Generic drugs are here to stay, and many will argue that they play a very important part in dampening the rising cost of healthcare for consumers, especially with the ever increasing medical and insurance costs. In this environment big Pharma companies need to get creative and change or modify their business model to be successful. Options available to them could include, improving their product lifecycle process to provide additional value to patients on compounds that currently exist, partnering with biotech and generic companies to discover additional indications and uses for their products. Another approach that could be considered is to develop their own generic drug infrastructure and competence so they can tap into certain markets where the cost of brand drugs may be prohibitive, but the generic versions could help them to gain access to the market or region once the patent life has expired. This would help them to develop brand recognition.

Many regions have diseases which are not fully understood and may have different medical needs because differences in genetics, diet, climate or other factors which are unique to their environment. It is important that companies recognize that they need to invest in clinical trial and other investigative work before they attempt to introduce their portfolio of current products to the region. This like the other problems listed requires rigorous assessment and understanding of the ways of doing business, culture and a host of other physiological and social factors, especially in places where people have practiced one form of medicine for years. In these cases, the solution may be a combination of current and new approaches and therapies and not simply going in with the goal of replacing treatments that have been used for generations.

Companies should plan to diversify their business models to invest in regions where there are opportunities to meet the needs of the people as well as broaden them operations. This does not simply mean moving operations to countries where relatively lower labor cost may make it possible for them to lower their operating costs and take advantage of manufacturing and supply chain logistics. It also requires them to take a real look at disease patterns and needs and not merely take their current portfolio of products and try to force fit them into these new regions. To put it directly, Emerging Market strategy should include the required level of concern for patient needs as well as the necessary business benefits to be effective and increase the potential for long term success.

The Department of Pharmaceuticals has a Vision for the development of the Indian Pharmaceutical Industry. This Vision is –"To make India the Largest Global Provider of Quality Medicines at Reasonable Prices."

The Vision is to be achieved as per the following Mission:

- Develop Human Resources for Pharmaceutical Industry and Drug Research and Development
- Promote Public-Private Partnership for development of pharmaceuticals Industry
- Promote Pharma Brand India through International Cooperation
- Promote environmentally sustainable development of Pharmaceutical Industry
- Enable availability, accessibility and affordability of drugs

Review of literature

Akber, 1991, Marketers have long been interested in the concept of brand loyalty because brand loyalty is a measure of the attachment that a customer has to a brand.

Brand loyalty was construed to be subset of repeat purchase behavior (Brown, 1952: Cunningham, 1956 a) and intention to repurchase. Later, researchers like Guest (1955) and Jacoby (1971) argued that brand loyalty has two components: brand loyal behaviour and brand loyal attitudes.

The active management of a collection of assets whose consolidated purpose is to aid in the attainment of one or more organizational/enterprise goals under constrained resource conditions" (Blayney 2007).

Generally speaking, however, big Pharma companies seem to be playing "follow the leader" too much, says Wharton management professor Saket Chaudhuri whose work focuses on mergers and acquisitions. "They don't do a good job of portfolio management. They tend to all go after the same things. They tend to be conservative and place their [M&A] bets on [a narrow range] of drugs." Knowledge@ Wharton February 3, 2010).

Research Methodology

Research methodology is **a method to analytically explain the research problem**.

Sample Survey

310 samples were selected from various parts of India consisting of 200 customers, 100 dealers and 10 manufacturers of Drugs.

Objectives of Study

1.) 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 pharma industry.

2.) To explore the current status of WHO GMP (World Health Organization – Good Manufacturing Practice) certification and schedule M compliance and suggest measures for raising the level of compliance by manufacturers of drugs and pharmaceutical products in the country.

Hypothesis

Null hypothesis H_0: The association between No.1 brand preferred and the reason for preference of the brand is not significant.

Alternate hypothesis H_a: The association between No.1 brand preferred and the reason for preference of the brand is significant.

Findings

It can be seen from research that for all segments to which the brand of Lab chemical is supplied competitive price and competitive discount are the reasons for preferring the present brand.

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The analysis of the survey of the manufacturers of Lab chemicals also reveals that discount offered to customers and dealers stand out to be the most common promotion tool adopted by them.

It can be seen from research that for all the brands except SD fine competitive price is the most important reason for promoting the brand.

From research it can be seen that 43% of the dealers promote a brand because of its competitive price. Brand image is only a distant second reason. Fig. shows that reasons for promoting a brand differs for the various brands.

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Conclusion

One common view expressed in the interviews conducted with the Pharma professionals were that the current Pharma model from research and development through marketing and sales are broken. This was very much in line with the results of the research. The interviewees were encouraged that there was evidence that some companies were changing and trying to add more value and me effective in some areas, but in general they felt that there was no organized or concerted effort being made to bring about the major changes that will be needed to turn the industry around. They felt that there is room for collaboration that can reduce operating cost and other industry costs and still have a place for healthy competition based on introducing innovative medicines to help with patient care meets the needs of stakeholders and shareholders at the same time. The Partnership between Eli Lilly, Merck and Pfizer will hopefully be a model for how this will be able to work.

The dynamics involved in getting an organization to functions at its best to achieve the targeted objectives is very complex, and has to be understood and planned for at every level. This will require global and regional understanding of history, cultures, beliefs, values and societal norms. At the country level it will require knowledge of the culture, politics, business and constitutional law, infrastructure, supply chain and the people. At the organizational level a lot of work has to be done to assess and understand not only what motivates and inspires creativity and productivity of the current employees, but also, any employees that may become a part of the organization as a result of a M&A or other forms of partnerships. It would take significant effort in the areas of Change Management, Integration Management, Process Management, Portfolio Management, Program Management and Project Management to be able to plan and execute any strategy that is developed.

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