

A REVIEW OF MARKETING
STRATEGIES WORK BY
DIFFERENT PHARMACEUTICAL
COMPANIES

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ABSTRACT

The current shift in the marketing strategy is work by multinational pharmaceutical Companies .It is now high-end (rather than adaptive) development that is being carried out by leading companies. And, increasingly, other companies are finding themselves competing against, or working with, new innovation-based companies. My study focuses on the processes and outcomes of globally distributed pharmaceutical companies. This article will present the changing marketing strategies when a pharma company shifts from Acute base to Chronic therapy base. This research paper will also give an insight about shift in supply chain process and customer and end-customer perception which is the base of formulation of different marketing strategies.

Key Words: Acute, Chronic, Core, Super Core, Closing stock, Inventory, Push, Pull, End-customer, Core customer, SKUs, SAP, ERP, Primary Sales, Secondary Sales.

1.INTRODUCTION:

The pharmaceutical industry is the world's largest industry due to worldwide revenues of approximately US\$2.8 trillion. Pharma industry has seen major changes in the recent years that place new demands on payers, providers and manufacturers. Customers now demand the same choice and convenience from pharma industry that they find in other segment. Indian Pharmaceutical Industry is poised for high consistent growth over the next few years, driven by a multitude of factors. Top Indian Companies like **Ranbaxy, DRL, CIPLA** and **Dabur** have already established their presence. The pharmaceutical industry is a knowledge driven industry and is heavily dependent on Research and Development for new products and growth. However, basic research (discovering new molecules) is a time consuming and expensive process and is thus, dominated by large global multinationals.

Indian companies have only recently entered the area. The Indian pharmaceutical industry came into existence in 1901, when Bengal Chemical & Pharmaceutical Company started its maiden operation in Calcutta. The next few decades saw the pharmaceutical industry moving through several phases, largely in accordance with government policies. Commencing with repackaging and preparation of formulations from imported bulk drugs, the Indian industry has moved on to become a net foreign

exchange earner, and has been able to underline its presence in the global pharmaceutical arena as one of the top 35 drug producers worldwide. Currently, there are more than 2,400 registered pharmaceutical producers in India. There are 24,000 licensed pharmaceutical companies. Of the 465 bulk drugs used in India, approximately 425 are manufactured here. India has more drug-manufacturing facilities that have been approved by the U.S. Food and Drug Administration than any country other than the US. Indian generics companies supply 84% of the AIDS drugs that Doctors without Borders uses to treat 60,000 patients in more than 30 countries.

However total pharmaceutical market is as follows:

Therapeutic Area wise Total Pharma Market

Category	Value Market Share%
Anti-Infective	16.4
Gastrointestinal	10.9
Cardiac	10.3
Respiratory	10.2
Vit./Minerals/Nutrient	9.6
Pain/Analgesics	9.5
Dermatologics	5.4
Gynecology	5.3
Neuro psychiatry	5.3
Antidiabetics	4.4
Ophthalmologicals	1.7
Others	11.0
Total	100.00

Fig.1

It is very much evident from above fig.1 that chronic therapy area (Gastro Cardiac, Respiratory, Neuro Psychiatry and Ant diabetics) is dominating the market in long run.

2.Pharma Marketing Process and its Challenges

While many pharmaceutical companies have successfully deployed a plethora of strategies to target the various customer types, recent business and customer trends are creating new challenges and opportunities for increasing profitability. In the pharmaceutical and healthcare industries, a complex web of decision-makers determines the nature of the transaction (prescription) for which direct customer (doctor) of pharma industry is responsible . Essentially, the end-user (patient) consumes a product and pays the cost .

Use of medical representatives for marketing products to physicians and to exert some influence over others in the hierarchy of decision makers has been a time-tested tradition. Typically, sales force expense comprises an estimated 15 percent to 20 percent of annual product revenues, the largest line item on the balance sheet. Despite this other expense, the industry is still plagued with some very serious strategic and operational level issues.

2.1 From **organizational perspective** the most prominent performance related issues are enlisted below:

- a) .Increased competition and unethical practices adopted by some of the propaganda base companies.
- b). Low level of customer knowledge (Doctors, Retailers, Wholesalers).
- c). Poor customer (both external & internal) acquisition, development and retention strategies
- d). Varying customer perception.
- e). The number and the quality of medical representatives
- d). Very high territory development costs.
- f). High training and re-training costs of sales personnel.
- g).. Very high attrition rate of the sales personnel.
- h). Busy doctors giving less time for sales calls.
- i). Poor territory knowledge in terms of business value at medical representative level .
- j). Unclear value of prescription from **each doctor** in the list of **each sales person**.
- k). Unknown value of revenue from each retailer in the territory
- l). Absence of ideal mechanism of sales forecasting from field sales level, leading to huge deviations
- m). Absence of analysis on the amount of time invested on profitable and not-so-profitable customers and lack of time-share planning towards developing customer base for future and un-tapped markets.

2.2 Patents

Patents are a vital aspect of the global pharma industry. Patent protection is essential to spur basic R&D and make it commercially viable. But, only the developed nations endorse product patents. Most third world countries have patent laws but enforcement is totally lax.

2.3 New Drug Approval (NDA)

Prior to launching its products in any country, a pharma company undertakes patent registration to protect its own interests. To protect the interests of the consumers, it is necessary that the product be approved by the drug authorities in that country. Mostly the process for seeking approval is initiated alongside the patent registration process.

2.4 WTO

Due to pressure from the developed countries, across the world uniformity in patent laws is being implemented under WTO (World Trade Organization - earlier GATT i.e. General Agreement on Tariffs & Trade). Presently, different countries have different patent types and life period. WTO has decided upon a product patent life of 20 years in all countries.

2.5 RESEARCH & DEVELOPMENT (R&D)

The pharmaceutical industry is characterized by heavy R&D expenditure. It is only the large pharmaceutical companies who can allocate significant resources for R&D to introduce new products. As the products are an outcome of significant R&D expenditures incurred by these companies, they have their products patented. The patent allows the companies concerned to wield immense pricing power for their new products.

2.6 THE COMPETITION

The level of competition on day to day basis is very **high** in **Acute segment** however the degree of competition is not as much as high in **Chronic therapy** area. As doctor has to prescribe drug for a long time in chronic cases and patient is supposed to consume it without any change of brand. While in acute cases doctor is changing brands on day to day basis. In acute area however there is a large competition from local and propaganda companies.

3. Pharmaceutical Company Business Strategies

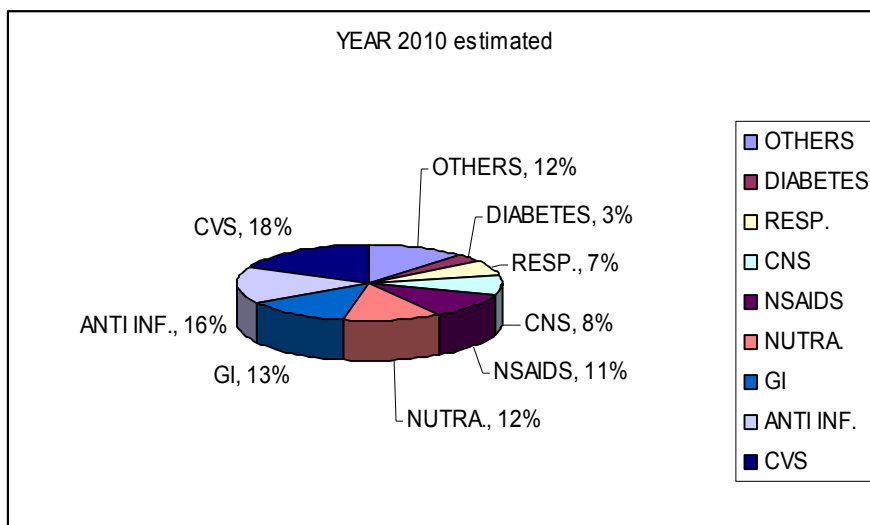
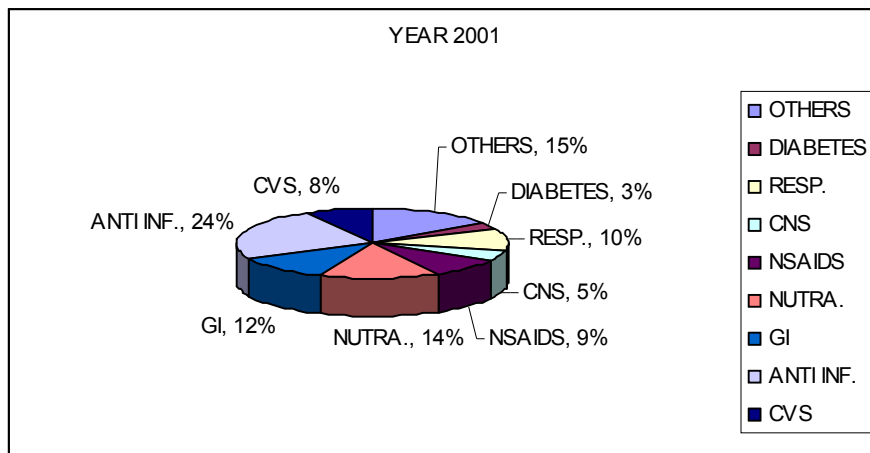
What's the secret behind successes? For one, the company operates in niche formulations (**chronic**) segments such as psychiatry, cardiovascular, gastroenterology and neurology. While most of the top Indian companies have focused on antibiotics and anti-infectives (**acute**), Sun Pharma focused on therapeutic areas such as depression, hypertension and cancer. The company has introduced the entire range of products and has gained leadership position in each of these areas. Being a specialty company insulates Sun Pharma from the industry growth. The first quarter results for FY02 explain this to some extent. While the industry was affected to a large extent by a slowdown in the domestic formulations market, Sun Pharma logged a growth of 26% in revenues. Over the years Sun has also used the strategy of acquisitions and mergers to grow quickly. It acquired Knoll Pharma's bulk drug facility, Gujarat Lyka Organics, 51.5% in M. J. Pharma, merged TamilNadu Dadha Pharma & Milmet Labs and acquired Natco's brands. Post Merger with TamilNadu Dadha Pharma the company gained presence in gynecology and oncology segments.

The bases of marketing strategies can be best described in these two models in both acute and chronic segments:

(i) **Super Core Model** involving the search for, and distribution of a small number of drugs from **Chronic Therapy Area** that achieve substantial global sales. The success of this model depends on achieving large returns from a small number of drugs in order to pay for the high cost of the drug discovery and development process for a large number of patients. Total revenues are highly dependant on sales from a small number of drugs. This model incorporates highly specialized approach in all the manner . Initially the competition is seems more at entry level but since growth is stable and more in this area ; every company is striving very hard to enter in this area. The major strategy in this model involves right focus to highly specialized customer by well trained team.

(ii) **Core Model** in which a larger number of drugs from **Acute Therapy Area** are marketed to big diversified markets. The advantage of this model is that its success is not dependant on sales of a small number of drugs. Here presenting a large number of product and taking the advantage of opportunity cost is one of the important strategy. Other strategy includes daily reminders to cross the perceptual filter and get the brand name in to the sub-conscious state of mind .

Fig2



Source:ORG MARG Retail Audit 2002

Figure 2 presents market share of top therapeutic segment in the year 2001 with projection made for year 2010. However product choice will depend largely on the internal capabilities of the companies. Here it is very much evident from this projection that lots of opportunities lie with chronic therapy segment however growth is initially slow but it may generate good revenue in long run.

3.1 Marketing approaches of Super Core Model

In pharmaceutical market there has been a significant shift from Acute towards Chronic Therapy area. Chronic segments are driving the growth of the market as leading prescribers in these segments are specialists as opposed to general practitioners. This is evident from high growth rates achieved by firms like Sun Pharma, Dr.Reddy Laboratories and Dabur Pharma Ltd. Who have focused on these segments

The doctor's prescription has become just the starting point in determining what drug the retailer dispenses. During last five years pharma companies have started identifying the hidden potential of oncological market also. A number of drugs have been launched into the oncological market by pharmaceutical companies, including new biological drugs and drugs that can be used as a support for patients undergoing cytotoxic chemotherapy. As a matter of fact, pharmaceutical companies are merging, and, through the merging process, the portfolio of the new companies changes.

Medical representatives are rearranged throughout the new companies. Some of the sales representatives are now afraid of losing their job, due to the changing scenario and the possible lay offs. On the other hand, the new, bigger, pharmaceutical companies are competing more and more with one another, and, in order to stress their products, might adopt a more aggressive sales strategy. For example, sometimes in the same geographical area there are eight to ten representatives for just one company, or different representatives for the same drug in different settings. As a result of the new, aggressive strategy, the aggressiveness of representatives has also been increasing, since the larger stress exerted by their companies might affect their stay in the company. Therefore, they tend to have more frequent visits to encourage doctors to prescribe drugs and thus increase sales.

In this model medical representatives are the key actors for example in a small cardiology unit almost 40 sales representatives interacting with doctors, and most of them are coming for a visit on a regular once-a-month basis as this is the restriction put by doctors of meeting only once in a month that to on a fix time only, in order to stress the usefulness of their products and push clinicians towards the use of their drugs. This means that, basically, there are at least two representatives every day in busy clinic asking for a 'short' meeting to support their product.

Pharmaceutical marketing is a specialized field where medical representatives form the backbone of entire marketing effort. Pharmaceutical companies also appoint medical representatives and assign them defined territories. Medical representatives meet doctors, chemists and stockiest as per company norms. Medical representatives try to influence prescription pattern of doctors in favor of their brands.

The pharmaceutical distribution channel is indirect with usually three channel members i.e. depot/C&F, stockiest and chemist. Pharmaceutical companies appoint one company depot or C&F agent usually in each state and authorized stockist(s) in each district across the country. Company depot/C&F sends stocks to authorized stockists as per the requirement. Retail chemists buy medicines on daily or weekly basis from authorized stockiest as per demand. Patients visit chemists for buying medicines either prescribed by a doctor or advertised in the media. Here patient is end customer and doctor is direct customer for any pharmaceutical company. But for doctor customer (patient) is more important so he wants an effective supply chain management from prescribed company. And for pharmaceutical companies their customer that is doctor is more important that's why they emphasize more on supply chain management. Ultimately end-customer is benefited out of this.

For marketing of these type of products companies require more and more skilled field force to develop good rapport with their direct customer (doctor). Moreover field force should have good product knowledge and USP of their products over other so as to convince doctors and **PULL** the demand for their products i.e. from Doctor to Retailer to Stockist to CFA to company.

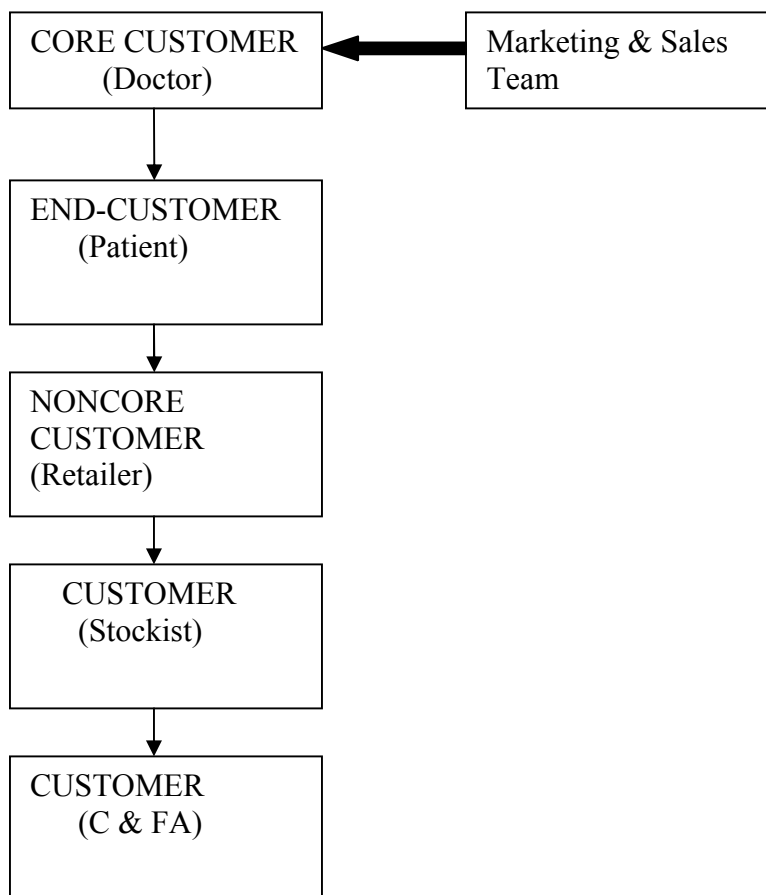


Fig.3.Pull System Working In Chronic Therapy Segment

In this system, doctors are the core customers and the major thrust is given to build and retain these customer because they are pulling the demand for products hence companies also give main emphasis in building and retaining these customers. All efforts are being put for generating **secondary sales i.e.** from stockist to retailer. Ensuring of auto demand with limited availability and maximum liquidation of the products is the main characteristic of this approach.

For retaining and developing customers, the companies normally provide gifts like sponsorship for various conferences like RSSDI, FOGSI, APICON, UPCON etc. For example Dabur having PASS (Professional Academic and Scientific Services) activities for promoting its chronic therapy range.

Also it is interesting to note that since this is a pull system demand is being pulled in to the market so generally representatives calculate product orders i.e. **primary sales** from their stockist on the basis of following formula:

$$\text{SECONDARY SALES} * 2 - \text{OPENING STOCK} = \text{ORDER}$$

Normally there are absolutely no chances of dumping of goods at stockist and retailer level is yet reported also payment recovery of companies is also very good.

3.2 Marketing approaches of Core Model

In present scenario companies are focusing more and more on the availability of products so as to enjoy good image in their customer's (doctors) chamber. Many companies such as Glaxo, Pfizer, Dabur, FDC, Aventies, and Cipla etc. are known for their availability of products.

For marketing of these types of products companies require more and more field force to remind their products on daily basis to their direct customer (doctor). Moreover field force should have good knowledge of product schemes and offers. Also field force is required to have a good rapport with retailers. Field force also required to ensure good availability of their products to convince doctors and **PUSH** their products i.e. from to Stockist to Retailer to Doctor.

It has been observed that sometimes there are more than fifteen or sixteen representatives in a day are meeting with their customer and requesting for same type of products. Although field force visits are important for an update on drugs and their use. The doctors are, in general, sneaking away, trying to hide from sales representatives, since there are too many and they are too pushy and there is too little time, and the representatives probably have noticed that the reluctant doctors have always less time for short meetings and less interest and tend to reduce the time of the visit.

The relationship between clinicians and representatives has always been good and pharmaceutical companies have provided, and still provide, the major economical support for customers' continuous medical education. Something needs to be done to find a solution to this problem that takes into account the needs of both pharmaceutical companies and their representatives on one side and physicians on the other, for a better professional interaction.

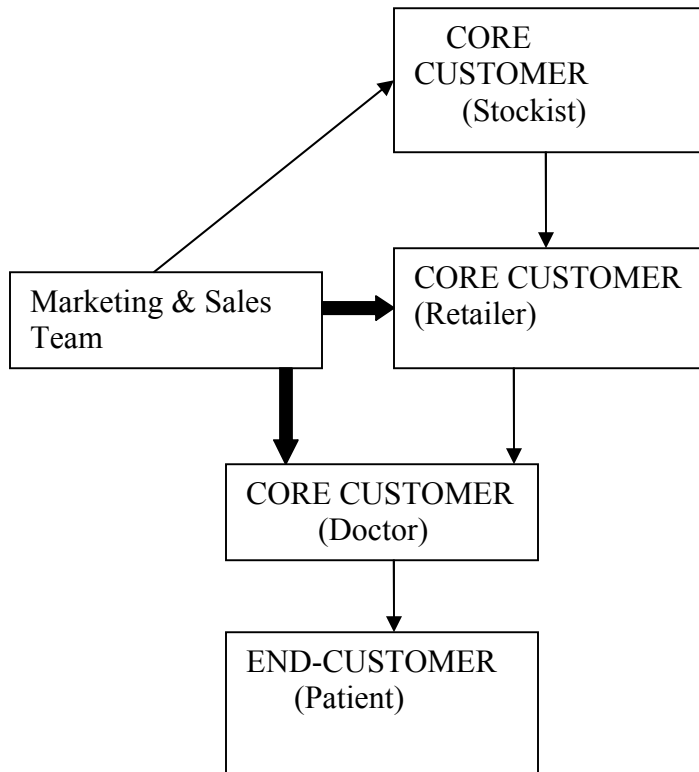


Fig.4..Push System Working In Acute Therapy Segment

In this system, doctors and retailers are the core customers and the major thrust is given to build and retain these customers. Here retailers are also core customer as most of the times they are substituting the products based on their own discretion.

For retaining and developing customers, the companies normally provide utility gifts to remind the products on daily basis.

Also it is interesting to note that since this is a push system products are being pushed in to the market so generally representatives place product orders from their stockist on the basis of SKUs sold and schemes. In this pumping the goods in the market and ensuring

more and more **primary sales i.e. from CFA to Stockist and availability of goods are major strategies.**

Normally the chances of dumping of goods at stockist and retailer level are reported also payment recovery of companies is also not very good.

Here the role of supply chain managers can be to provide considerable value to their companies by understanding the customers' delivery requirements. A very powerful tool for understanding these requirements is account segmentation. A company can use account segmentation to identify market segments Such as Acute & Chronic therapy market. which is well positioned to serve and then organize its product range and even SKU's and service in a superior way.

Companies are fighting (for customers) like never before and if anything is certain then it is further intensification of this war, and because of this companies are increasingly looking at Logistics, as a weapon to gain Competitive Advantage and it is true that Logistics has the potential to do so. and corporate cases associated with them are given below:

4. CONCLUSION

There can be various ways through which a business organization can achieve success in the market, but all those ways can be comprised into as above, then it can be rightly said that it revolves specifically around three parties or more; the triangular linkages or the relationship between these three parties (company, customers and competitors) determine the success and failure of business organization. In the medium to long run, the domestic pharmaceutical market will be largely driven by the increasing prevalence of chronic segment. The domestic industry is principally being driven by the chronic segment which has grown by **17.8%** this year. Against the backdrop up- take of acute segments has been slow and has grown by **10.1%** only. The basis of success in any competitive context can be, at the most, elemental level commercial success; and commercial success can be derived either from a cost advantage or a value advantage or ideally from a combination of both. In other words, the organization with Competitive Advantage tends to be the cost leader in the industry or a seller of most differentiated products amongst all the players. At last the role of supply chain is very prominent in both the phases (in acute as well as in chronic). But the successes of any pharmaceutical industry; when a company changes its concentration from "Acute" to "Chronic" therapy market depend on competitiveness of supply chain. Supply Chain Managers can provide considerable value to their companies by understanding the customers' delivery requirements. A very powerful tool for understanding these requirements is account segmentation. A company can use account segmentation to identify market segments Such as Acute & Chronic therapy market. which is well positioned to serve and then organize its product range and even SKU's and service in a superior way. The company must tailor its supply chain offerings to meet the needs of each of the market segment it serves. For example, **Dabur Pharma** has started launching of its products which were G.P.(**Acute Threapy**) oriented latter it enter in to specialists oriented(**Chronic Threapy**) products.

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