



## SUSTAINABLE PHARMACEUTICAL MARKETING STRATEGIES: IN REFERENCE OF SME PHARMA INDUSTRY

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### ABSTRACT

To cater the population of 1.3 bn in country, pharmaceutical companies itself segregate their respective product lines such as all major life style diseases products being manufactured and sold by Mid-Large size & MNCs as these products need sophisticated technological advancement, having product image as still having patent or in licensing arrangement, is of consumer need and costlier too. On the other side of flip, Small and Medium enterprises (SMEs) are still sticks to specific product line such anti-infective, anti-cold, anti-biotic, B-complex along with few herbal formulations as varieties, which need not requires any technical sophistications and cost effective or low cost–low price too. As pharmaceutical marketing is a highly specialized branch combines basic strategic marketing principles with more focused need–based approach to pharma industry (Irrespective of size and volume) , it's a whole new way to looking at marketing strategies specific to the industry.

**KEYWORDS:** Generic- Generic, Pharmacopial, OTC/OTX, PCD, SMEs.

### PRODUCT STRATEGIES:-

As Indian pharmaceutical industry is a cost driven industry, heavily depends on cost dynamics, which is independent of strategies. The result and outcome of data implicates that 76% of small scale pharmaceutical units are producing/marketing (figure 7.4.1) General and combination of *General + Generic* pharmaceutical products i.e. Branded and Non branded pharmacopeal products. Findings also suggest that small scale pharmaceutical units are still sticks to specific product line such as anti-infective, anti-cold, anti-biotic, B-complex along with few herbal formulations as varieties, which need not requires any technical sophistications and as they are cost effective or low cost products and complimentary with each other. As pharmaceutical marketing is a highly specialized branch combines basic strategic marketing principles with more focused approach, as small scale pharmaceutical units are rarely used Single product strategies and Niche–Market strategy to build their product–marketing program. Small scale pharmaceutical units using multiple products strategies were product portfolio is complimentary with each other, that will appeal and satisfied the large number of consumer's groups with generic etiology or diseases. The primary objective of this Mass-Market strategy is to capture sufficient volume to gain economies of scales not from single product but from mix of product which has to gain, growth, profit and bit of market share. Small scale pharmaceutical units, running its operation of units in shift wise for self or on third party manufacturing basis, to gain mileage in product overlap strategies, so that no capacity would be left as spare. Small scale pharmaceutical units are mostly used product flanking as product strategy, refers that producing /marketing different combinations of products at different prices and different product form, basically branded generic pharmacopeal products for specific segment(s) and general disease segment(s), sold on prescription as well as on OTC/OTX category with low or almost no differentiation in products along with. Non branded generic-

generic pharmacopeal products only labeled with compound (s) name, to tap various different market opportunities. (These product categories is applicable on both, Allopathic as well as Indian medical system medicines). Small scale pharmaceutical units producer/marketer has been found to position their pharmaceutical products in terms of quality/price and distinct benefits to users.

Results are also implicates that 24% of small scale pharmaceutical units producing and market specialty as well as combination of *Specialty + Generic* or with general pharmaceutical products, which is not contributing significantly as these type of products is of the category of Patented products for specific segment(s) and is of chronic diseases, termed as Super specialty or Specialty, products with brand tag, sold on prescription only. (Highly differentiated product), these kind of product is having Niche-market with low and uncertain consumer base , requires highly sophisticated manufacturing technology with basic R&D backup, which substantially increases the cost of product(s), also needs a lot of marketing efforts to position the product(s) with specific features. Results also implicates that small scale pharmaceutical units are merely focused on these segment(s), as all big players or large and mid size companies along with MNCs are not allow level playing ground to small scale pharmaceutical units. no differentiation in products along with. Non branded generic-generic pharmacopeal products only labeled with compound (s) name, to tap various different market opportunities. (These product categories is applicable on both, Allopathic as well as Indian medical system medicines). Small scale pharmaceutical units producer/marketer has been found to position their pharmaceutical products in terms of quality/price and distinct benefits to users. R&D backup, which substantially increases the cost of product(s), also needs a lot of marketing efforts to position the product(s) with specific features. Results also implicates that small scale pharmaceutical units are merely focused on these segment(s), as all big players or large and midsize companies along with MNCs are not allow level playing ground to small scale pharmaceutical units.

#### PRICING STRATEGIES:

Results have been suggested that Products in category termed, as Branded generics and Non branded generic-generic, which is mostly produce and marketed by Small and Medium size Pharmaceutical Units/Industry (SMEs), these companies mainly using (ref. to fig. no. 7.4.2) "*cost plus pricing*", "*economy pricing*" (82%) and "*market penetration pricing*" (12%), as their major pricing strategies. These strategies suits SMEs sector as they are mainly involves in bulk manufacturing of drugs by achieving a sort of economies of curve in production, with the help of these pricing tools companies add substantial mark up or proportion of profit (which covers their major expenses) to the cost and market their products, but majority of companies in the SMEs sector chooses blend of market penetration pricing as well as cost-plus pricing, as their pricing tool for market and sell their pharmaceutical products, in which companies are free to choose low price for their products in order to gain a higher market share, to attract more number of customers (price conscious prescribers) or new market segments, it all enable companies to generate more volume in terms of sales as well as units of product sold. Some SMEs are very strong in some therapeutic areas in which they are brand leader and even poses tough competition to large companies as well as MNCs, generally preferring niche pricing (*Moderate cost-Moderate pricing*) tool to prevent or defend their market share, by delivering quality product(s).

In general pharma SMEs sector not deals in specialty category products, because it requires intense R&D efforts, huge investment, sophisticate technological advancement and meant for specialty disease or niche segment. As these kind of products are costlier to produce and will be sold cautiously, simultaneously customers are also willing to pay for the same as their mandatory requirement. Hence the pricing of these kinds of pharmaceutical products are mainly attracted skim pricing strategies (6%) or premium pricing tools.

#### DISTRIBUTION STRATEGIES:

Study found that (ref. to fig. no. 7.4.3), as Indian pharmaceutical sector is cost driven sector and prices of pharmaceutical products are highly regulated, cost structure of pharmaceutical products are

comprised of excise on MRP (Max. Retail Price) and other fixed, variable cost and optimum profit. This kind of cost structure and regulatory pricing norms are forced Indian pharmaceutical companies to achieved economies of curve in production to maintain profitability and survival of unit(s). Pharmaceutical supply chain is depends up on the product or product(s) category sells in the market, majority of small scale pharmaceutical units are produce/market branded and non branded pharmacopeal product (s), which requires saving of cost at each level of value chain and hence every component or intermediaries is playing important role and having its own pie (profit) or discount or we can say in other words companies to pay or maintain standard and fix commission or discount structure across various levels of intermediaries and all these discounts chunk is added in to the cost, which enable companies to arrive on final selling price of the product(s), with the help of intermediaries companies or units enable to cater various geographies successfully by utilizing field force deployed by companies or self employed by intermediaries. The finding of the present studies shows that 73% of small scale pharmaceutical units are using intensive kind of channels strategies such as, *SSPU-Dist.-Stockiest-Retailer*, distribution model for distributing their pharmaceutical products, it's a kind of cost effective mode of channel distribution, as majority of small scale pharmaceutical units are trying to get cost –price advantage within the industry to grab market share, whereas 23% of small scale pharmaceutical units are using *SSPU-C&A/C&F-Dist.-Stockiest-Retailer*, mode of channel strategy to cater their pharmaceutical product(s). As Indian pharmaceutical market is mainly dominating by rural sector (approx 65-70%) and rest is by urban population and hence because of this fragmentation and state of perfect competition many regional companies are flourishing and cater the regional packets too, some SSI's and Indian large pharmaceutical companies try to get cover big spectrum of geographies

Finding of the present studies also concludes that, majority (73%) of small scale pharmaceutical units, uses these kind of channel strategies as the result of their economies of scale, restricted product lines, production of generic version or substitute product on low cost indigenous manufacturing process, low or almost no brand images working in small geographic areas with low price structure for product(s) using *PUSH* kind of strategies with insignificant demand generation. In this category of small scale pharmaceutical units also having access to Government hospital supplies, as per turnover of few past financial years requires make them eligible for bidding process. Majority of these small scale pharmaceutical units products are sold on basis of *OTC/OTX*. small scale pharmaceutical units, who are also involves in export of their product(s), also keeps merchant exporter(s) (62%) or establishes own export distribution channel if feasible for them.

#### PROMOTIONAL STRATEGIES:

Finding of the present study concludes that small scale pharmaceutical units are using two major categories of promotional styles to position their products (ref. to fig. no. 7.4.4).

**Category -1:** In this category of promotional style, small scale pharmaceutical units (57%) adopt, marketing promotion of their pharmaceutical products through combination of *Direct sales promotion-Export sales promotion-OTC/OTX kind of promotion*. In this style of promotion small scale pharmaceutical units are adopt different marketing strategies to promote their products, as small scale pharmaceutical units are main source of branded/non branded pharmacopeal formulations with many variants –

In this style of promotion Pharmaceutical representative as popularly known as Medical Representative or Direct sales Representatives are the major player, plays key role in marketing strategies of pharmaceutical units ,especially in small scale pharmaceutical units for marketing and promoting the drugs to Doctors (Dispensing/Hospital)/ consumers and act as a CRM between company and customers in fallowingmanner-

1. Giving drugs as free samples to doctors for which doctors to make trial on targeted patients.
2. Offering Gifts that holds company logo or details of one or multiple brands as reminder.
3. Formulating or developing lucrative offers for Distributors, stockiest and retailers to push their products on OTC/OTX basis.

4. Reminders, advertising, stressing more on basic benefits of products for verity of usage through sales presentation to current users
5. Apart of these small scale pharmaceutical units in this category also using Price discount, Free goods (bonus-packs), Refunds and Contest/ Sweepstakes on the purchases of certain amount of pharmaceutical product(s).
6. Small scale pharmaceutical units of this category also use merchant exporters to export their pharmaceutical product (s), exclusively meant for improving company image and export revenue.

**Category -2:** In this category of promotional style, small scale pharmaceutical units (43%) adopt, marketing and promotion of their pharmaceutical products through combination of Personal sales promotion (Ethical sales promotion) - Export sales promotion – OTC/OTX kind of promotion. In this style of promotion small scale pharmaceutical units are generally using hierarchy of Sales/Marketing team of Pharmaceutical Business Executives, Pharmaceutical Representatives, popularly known as Medical Representative on the basis of region and area. These kind of arrangement mainly responsible for the execution of major marketing strategies of pharmaceutical units, especially in SSPU's to promote the pharmaceutical drugs to Doctors (Dispensing/Hospital)/ consumers and establishing CRM between company and customers. Small scale pharmaceutical units in this category mainly using personal selling methods, in which their product(s) are being promoted by field sales force to Doctors as well as to retailers with the help of product catalogues, literature's, visual aids and try to generate demand for their product(s), for effective use of these promotional tools even small scale pharmaceutical units are investing substantially in training and development of their field force, like their large-mid size counterpart, as per their product lines-

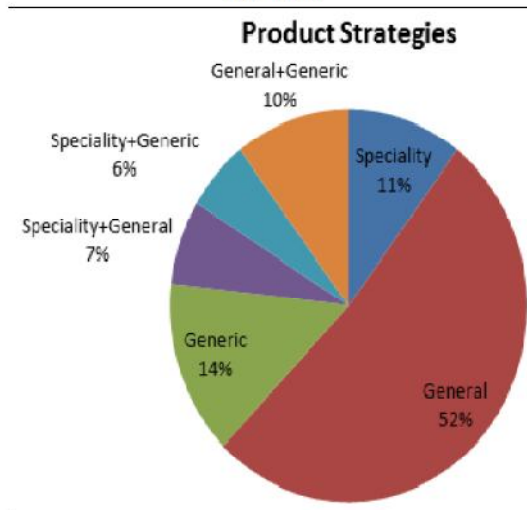
1. Giving drugs as free samples to doctors for which doctors are targeted.
2. Promote and provide details of their brands through journals, articles or opinion leaders.
3. Gifts that holds company logo or details of one or multiple brands as reminder.
4. Sponsoring, continuing medical education, seminars, workshop etc.
5. Formulating or developing lucrative offers for stockiest and retailers to push their products on OTC and keeping strong emphasis on OTX promotion.
6. Encourage new uses through sales promotion, new account generation or make non user of the product as user, offering incentives.
7. Continuous reminders, advertising, stressing more on core benefits of products for verity of usage through sales presentation to current users.
8. Small scale pharmaceutical units in this category rigorously involves in export promotion mostly in non regulated countries with the help of local marketers, either in the mode of joint venture(JV) or some sort of strategic allies with big size whole sellers, for improving company image and export revenue.

As per the present study, (ref. to fig. no. 7.4.5) it is found that, small scale pharmaceutical units are also exploring the various other marketing arrangements for their survival and existence in the competitive environment. Study also suggest that 63% of respondents are using Third party/Loan licensing arrangement with other companies too, in this case small scale pharmaceutical units are only producing pharmaceutical product(s) for other companies /units, which is significantly consolidates their operation and it helps small scale pharmaceutical units to gain economies of scales . production for the same product line. The study also implicates that, this kind of arrangement is also the major source of revenue generation for the small scale pharmaceutical units. The present study also implicates that small scale pharmaceutical units also offers their own product(s) on area wise franchisee (26%), well known as Propaganda-cum-Distribution (PCD) mode in Indian pharmaceutical industry, in this kind of arrangement, small scale pharmaceutical units retain the ownership of product(s) and receiving the net payments, without putting any efforts on marketing grounds on mutually decided terms and conditions. The present study also concludes that 9% of small scale

pharmaceutical units adopt Co-Branding and Co-marketing arrangement along with Acquisition of brands i.e. 2%, which is rarely used and insignificant in numbers.

**Figures:**

**Fig. 7.4.1**



**Fig. 7.4.2**

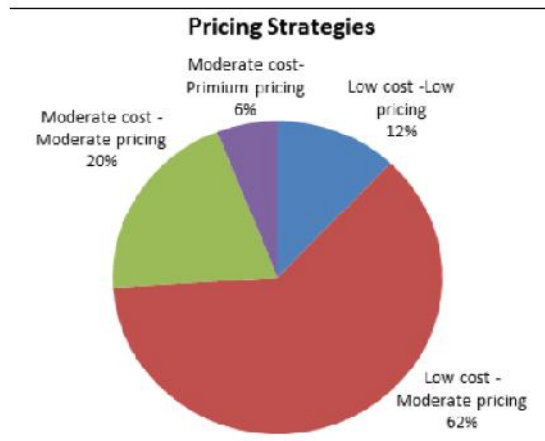




Fig. 7.4.3

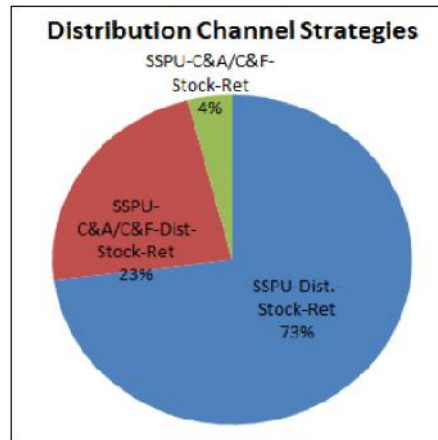


Fig. 7.4.4

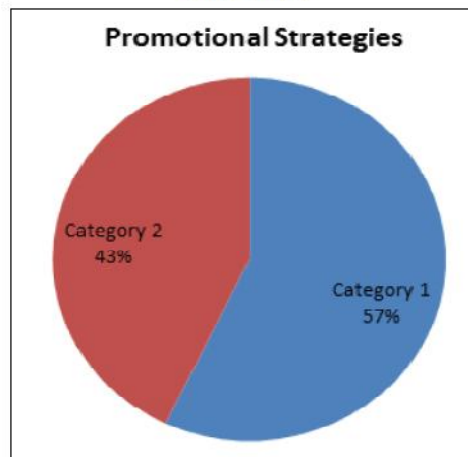
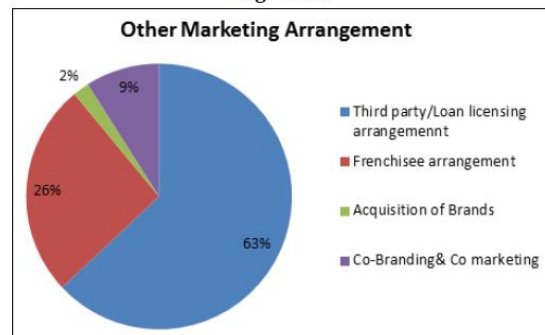


Fig. 7.4.5



**CONCLUSION:**

The main objectives of the present study were to find out the actual business marketing strategies practices by small scale pharmaceutical unit(s) and to identify the all possible factors, which improves the performance and increase the chances of profitable survival of small pharmaceutical sector with respective

present competition posed by MNCs and Large domestic pharma firms and remain as low-cost provider of generic pharmaceuticals ever.

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