

Challenges And Opportunities For The Pharmaceutical Marketing In India

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ABSTRACT:-The pharmaceutical industry in India ranks 3rd in the world terms of volume and 14th in terms of value. According to the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, the total turnover of India's pharmaceuticals industry between 2008 and September 2009 was US\$21.04 billion. Hyderabad, Mumbai, Bangalore and Ahmedabad are the major pharmaceutical hubs of India. The domestic market was worth US\$13.8 billion in 2013.

The Government started to encourage the growth of drug manufacturing by Indian companies in the early 1960s, and with the Patents Act in 1970. However, economic liberalization in 90s by the former Prime Minister P.V Narsimha Rao and the Finance Minister, Dr. Manmohan Singh enabled the industry to become what it is today. This patent act removed composition patents from food and drugs, and though it kept process patents, these were shortened to a period of five to seven years.

The Lack of patent protection made the Indian market undesirable to the multinational companies that had dominated the market. Whilst the multinationals streamed out, Indian companies carved a niche in both the Indian and world markets with their expertise in reverse-engineering new processes for manufacturing drugs at low costs. Although some of the larger companies have taken baby steps towards drug innovation, the industry as a whole has been following this business model until the present.

India's biopharmaceutical industry clocked a 17 percent growth with revenues of Rs.137 billion (\$3 billion) in the 2009-10 financial year over the previous fiscal. Bio-pharma was the biggest contributor generating 60 percent of the industry's growth at Rs.8,829 crore, followed by bio-services at Rs.2,639 crore and bio-agri at Rs.1,936 crore.

In order to survive in this highly competitive global marketplace, it is extremely essential for organizations to have an effective integrated marketing communication plan in place. Having a knowledge about the various types of markets that exist in the world, and in particular in Asia

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which is perhaps the most rapidly growing market, will help achieve this objective. This paper provides us an overview of the role of technology in integrated marketing communications and also how marketing communications should be carried out in the Asian market.

INTRODUCTION-The Indian Pharmaceutical industry is the second-largest in the world by volume and is leading the manufacturing sector of India [1]. The Indian bio-tech industry has achieved a growth rate of 17 percent and has gained revenues of Rs.137 billion (\$3 billion) in the 2009-10. Bio-Pharmaceutical was the biggest contributor generating 60 percent of the industry's growth at Rs.8, 829 crore, followed by bio-services at Rs.2, 639 crore and bio-agriculture at Rs.1, 936 crore. The first pharmaceutical company was Bengal Chemicals and Pharmaceutical Works, which still exists today as one of 5 government-owned drug manufacturers, in Calcutta in the year 1930. For the next 60 years, most of the drugs in India were imported by multinationals either in fully formulated or bulk form. The government started to encourage the growth of drug manufacturing by Indian companies in the early 1960s, and due to the Patents Act in 1970, the industry got an opportunity to grow. This patent act removed composition patents from food and drugs, and though it kept process patents, these were shortened to a period of five to seven years. The lack of patent protection made the Indian market undesirable to the multinational companies who had dominated the market, and while they streamed out, Indian companies started to take their places. The multinationals were market leaders at that time because of their superior technology. As a result of this, they had gained expertise in reverse-engineering new processes for manufacturing drugs at low costs. Although some of the larger companies have taken small steps towards drug innovation, the industry as a whole has been following this business model until the present.

HISTORY-The production of bulk drug was virtually non-existent in India at the time of independence in 1947. It increased from a meager \$715 million in 1962 to \$2.4 billion in 1980 and further about \$8.4 billion in 1990. Production of formulation is increased from \$90 million in 1947 to \$14.4 billion in 1980 to \$36.3 billion in 1990. The demand for pharmaceuticals increased due to increase in population, increase in affordability of a section of population and government emphasis on health program. The industry grew despite claims of price & production control. By the year 2000 the demand for pharmaceuticals is expected to reach up to \$6.72 billion per annum. There has been 1000% growth in the number of drug manufacturers in India since 1970. That was the year when the Indian Patent Acts and Drug Price Control Order (DPCO)

came into force (The Eastern pharmacist 1988). While the first accorded intellectual property protection to manufacturing processes (not product formulas), the second began regulating prices to ensure that drug manufacturer who were being allowed to copy foreign drugs would make them cheaply available to the common man.

Indian Drug and Pharmaceutical (D & P) industry presents a picture of fast development. Today, India manufactures most of its requirement of bulk drugs and formulation. In fact, more than 30,000 different pharmaceutical formulation worth \$210 million are manufactured and sold in India. There are 45 major pharmaceutical firms, each with a sizable investment and sales turnover. Investment ranges between \$1.47 million to \$4.2 million the sales ranges between \$2.10 million to \$54.6 million per annum. Growth in this industry was to the tune of 23.4 per cent in 1997-98. This was phenomenal in comparison with the other industries most of which have run into losses or very nominal profits leading to a slowing down of the growth.

GOVERNMENT INITIATIVES-In a country lacking the assurance of free health care for all (not to talk of an effective health insurance system), it is the poor patient's family who must pay the bill. This was the justification for the policy. But it killed any incentive to invest in R&D (Research and Development), which makes global drug manufacturers what they are: leader of mankind's war on disease. India's per capital consumption of drugs is said to be just \$3. In the US its over \$100 and in Japan, over \$400. India has about 20% of the world's disease burden (with just 16% of its population). Western spending is high because in a system where the government pays the bills, the patient get themselves prescribed all sorts of pills for ailments that aren't terribly serious. But why is Indian spending so low? Only 35% of the population has access to modern (read allopathic) medicines. India has alternative system of medicines, Ayurveds, e.g. are not quacks, neither are homeopaths who make their own medicines.

India also exports sizable quantities of drugs & pharmaceuticals. More companies are now venturing into traditional health care systems beside modern medicine. With the launching of new drugs policy, all bulk drug formulation and intermediaries except five bulk drugs have been de-licensed. Many drugs that were hither to under price control have been taken out of such control. Actually the list of controlled drugs has been halved and is limited to 73 items.

Higher rate of return has been allowed for those drugs that are still under price control. Companies with 51 percent foreign equity have been brought on par with wholly Indian companies, automatic clearance would be given for 51 percent foreign equity automatic approval would

be given for foreign technology agreement as well. Earlier such companies had restriction on the product they could manufacture or import. A National Drug Authority is to be set up to monitor quality control and rational use of medicine. A national pharmaceutical pricing authority is also to be set up to fix prices in respect of drug, which would continue to be under price control (Ramaswamy & Meerakumari 1988).

Recent budget proposal has announced a 10 percent drop in the peak customs duty, which will benefit formulators and transnational pharmaceutical companies with high raw material import contents, but falling traffic barriers also threaten the future of the bulk drug players. However, the 8 percent increase will not have a negative impact on formulators as the increase will enable a full set off under MODVAT (Modified Value Added Tax). Similarly, the 10 percent reduction in the tax on income from royalty and technical fees paid to foreign companies may not affect domestic companies at all. But high spenders on R & D like RanbaxyTM, CiplaTM and WockhardtTM will gain. This along with the rising of investment limits in overseas joint ventures and offices under the Export Earners Foreign Currency Account, will provide a strong dose of incentive for India's pharmaceutical companies to go global.(Sakaria 1988)

Challenges in Pharmaceutical Marketing-The Indian Pharmaceutical Industry at approximately US \$ 26 Bln, is ranked 3rd globally in terms of volume and thirteenth in terms of value. It accounts for around 10 % of the world's production of pharmaceuticals by volume . The industry is growing at an annual growth rate of around 10 % in 2013

It is a highly fragmented industry comprising of a mix of sophisticated patented technologically advanced products , branded generics and commodity generics with the presence of more than 10,500 registered manufacturers as per the National Pharmaceutical Pricing Authority [NPPA] .It is undergoing various changes in the macro-environment , regulatory environment & the competition . Each of these interrelate with each other and in turn result into challenges for marketing.

Challenges to Pharmaceutical Marketing in India

I. Challenges posed by the Legal/Regulatory Environment-These are the challenges which arise due to the various policy decisions taken by the government. The recent ones include the new pharmaceutical pricing policy, the DPCO 2013 ,the National List of Essential Medicines [NLEM], Compulsory Licensing , Approval of new drugs through clinical trial approvals etc.

II. Macro-environment Challenges-These are mainly posed by demographic factors such as the patient population , age, gender,

education levels, shifts in patient population, income levels and disease patterns. Technological advancements viz. proliferation of social media & mobile computing also have an impact upon pharmaceutical marketing.

III. Challenges due to competition-Around 90 % of the Indian market comprises of branded generics. Thus competition poses major challenges for pharmaceutical marketing in India. As mentioned earlier, there are more than 10500 SMEs and about 300 manufacturing organizations. These produce over 64000 formulations covering almost every therapeutic segment. The extent of competition can be gauged by the fact that there are almost 10 to 150 brands of a molecule with similar composition.

Challenges inherent to the organization-These challenges are a characteristic of an organization attributed mainly to the various functional aspects. The nature of the specific challenges would depend upon the nature of the organization. eg. the nature of the marketing challenges for a SME would differ as compared to those for a MNC.

Taking a holistic perspective some of the marketing challenges that encompass majority of the pharmaceutical companies in India are mentioned herein:

A) Value creation-With plethora of competitive brands around, it becomes extremely difficult and complex for a physician [the customer] to zero-in on a particular brand in his/her practice, especially when there are brands with almost similar names, compositions, packaging and prices. In such a scenario, the brand which promises a value for the customer as well as the consumer would be the winner.

Preferably the value in pharmaceutical marketing has to be created with respect to the drug being marketed [pharmacoeconomics which compares the therapeutic value of one pharmaceutical drug or drug therapy to another] and value for the brand which is being marketed. The latter assumes a lot of significance especially when the brand has a high potential of OTC purchase by the patients. Also it is of prime importance that the "Value for me proposition" needs to be perceived by the customer [the doctor] as well as the consumer [the patient].

b) Brand building-The approach to pharmaceutical marketing has to be practiced in a manner that looks into a top-line increase through the process of building a brand. This should be a systematized & structured format which aims at looking at the product from a "brand" perspective to build the brand and not only pursue routine administrative marketing activities which have a possibility of not achieving the desired focus.

c) A strategy for the brand-Pharmaceutical marketing comprises of two components:

- i) The science & the medicine component
- ii) The business component

It is absolutely essential to have a strategy in place for both these components. Here strategy implies a deliberate communication process to create a perceived differentiation for the brand.

d) Differentiation-In this highly crowded branded generic market place, differentiation is a strategy not only for growth but also survival in the market-place. In pharmaceutical marketing, differentiation can be utilized or applied as a "start-up" strategy for a brand/SBU and then applied to all the marketing parameters.

e) Pricing-Pricing has been mentioned here as a separate challenge considering its prime importance as a strategic tool. Pricing is more a strategy decision that should supplement brand purchase as well as provide the required bottom line for the brand/therapeutic category. Sometimes both these could move into opposite directions and taking a pricing decision itself can turn out into a major challenge considering the market conditions and internal objectives of the company.

These are some of the challenges faced by pharma marketers mentioned in brief. We would discuss each of these in detail along with the probable strategies to tackle these in the future.

Challenges

- The Indian pharma industry faces lack of research components and real time good manufacturing practices. This has always been a difficulty for the pharma industry. Pharma companies should build in such a way that they are equipped with better operational facilities and abilities.
- Indian pharma companies are not getting proper profits, their earnings are basically very low as compared to their counterparts in other countries such as the US. Their income is not sufficient enough to invest money on research component.
- The pharma industry is dependent on China for the supply of raw material for generic medicines production.
- India needs user friendly government policy for the common man to establish small scale, raw material manufacturing units/ incubators in all states of the country to improve availability of raw materials to manufacture generic drugs at affordable rates.
- The government and industry should facilitate the pharmacist community to become entrepreneurs and promote incubators' establishment.
- Raw material produced from small scale units should be properly validated in the testing laboratory of the state to ascertain their quality specifications.
- There is a need for a functional testing laboratory in every state to fasten the work of specification of raw materials.

- Small scale produces may be re-processed in another industry or via a chain of industry for quality products that can be used for parenteral/ tailor-made formulations.
- Skilled manpower from academic institutions can be achieved through continuing education programmes.

Opportunities

- Research schemes should be initiated by the industry via direct contact with identified researcher/faculty.
- Incentives should be paid to students contributing towards development of any research formula for the industry.
- Industry should explore the availability of qualified students beyond metro cities.
- Every industry has its own protocol to serve the society. Therefore, the pharma industry should train students as per their need. Only a few industries are thinking in this line. Industries should contact Indian academic institutions to get qualified students who have the knowledge and aptitude for research and development in pharma.
- Adoption of user-friendly policies will help establish small scale industry and encourage students and middle class business owners with ambitions in this line. This will also help overcome the problem of unemployment for pharmacists and promote entrepreneurship in the nation.
- With changing times, students are getting exposure through internet about research/ technology around them.
- Indian academic institutions are full of ideas born from the young, creative brains of students.
- Indian pharma industry can explore these ideas for future progress.
- There are ample opportunities for industries to represent their data via academic pharma institutions.
- Pharmacy students are highly qualified persons in handling of instruments with having good knowledge of data interpretation and data mining. The important part is that there is no significance of instrumental data without interpretation. Therefore, such knowledge of students can be explored by the industry at the cost of living wedges.

The industry can hire a team from academic institutions to participate in healthcare activities across the country for their promotional activities.

Industry can get support from academic institutions to serve the society in healthcare activities. They can provide financial expenses done by the institutions. It should be a routine activity that will connect the students to the industry.

The way forward-Looking at the urgent need of the nation for quality healthcare, the pharma industry has to develop strategies for raw material producing units with user friendly government policy for the small scale industry. The industry will have to identify researchers/teaching faculty beyond metro cities to get good ideas and skilled workers from across the country.

Conclusions-The Indian pharmaceutical company is the fastest growing industries in the world competing with the global pharmaceutical industries (2). It is in the front rank of India's science based industries. In the post independence era that is post 1947 the Indian pharmaceutical company was completely dominated by multinational companies (MNCs) and drug price in India was among the highest in the world(3). In 1970, the Indian parliament passed the Indian Patents Act 1970 with provisions to allow only process patents for pharmaceutical molecules and new chemical entities (NCEs). The Indian Patent Act 1970 was the main reason for the fast and continuous growth of the Indian pharmaceutical company. The Indian pharmaceutical company until 2005, engaged in generic product development hence there was no significant activity in patenting in India. In 2005, the Indian Patent Act was amended to include a 'product patent' regime to make Indian patent law compliant with TRIPs. The shifted the Indian pharmaceutical company's focus from generic products to research based. The Indian Patents Act, 2005 introduced product patents in India and marked the inauguration of a new patent regime aimed at protecting the Intellectual property rights of patent holders. The conclusion which comes out from research is that these firms have realized the need of R&D in post TRIPs period and they have been increasing their R&D Activity

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