

## **MARKETING STRATEGIES TO OVERCOME THE CHALLENGES FACING THE PHARMACEUTICAL COMPANIES IN INDIA**

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### **Abstract:**

This paper analyses and examines the current situation, recent developments, issues and challenges for Pharmaceutical companies in India from the perspective of marketing management. This paper highlights the current position of pharmaceutical companies in the Global pharma markets in order to understand its implications for current market challenges faced by the pharma industry. The challenges faced by pharmaceutical companies in the Indian market with reference to the Marketing function have been examined in this article. The discussion is focused on the marketing mix for pharmaceutical companies comprising the 4Ps, namely, Product, Price, Place and Promotion. This paper suggests a few effective strategies to overcome the challenges faced by the pharmaceutical industry.

Key terms: Product, challenges, marketing, Price, Place and Promotion.

### **Introduction:**

Indian pharmaceutical industry is the 3rd largest in the world by volume and is USD 40 billion in terms of value. India contributes around 3.5% of total drugs and medicines exported globally. India exports pharmaceuticals to more than 200 countries and territories including highly regulated markets such as the USA, The UK, European Union, Canada etc. The Indian Pharma sector has complete ecosystem for development and manufacture of pharmaceuticals. Its Pharma companies possess the state of the art facilities including highly skilled/technical manpower. Our

countries also has a large number of renowned pharmaceutical educational and research institutes as well as a robust ecosystem of allied industries.

India is the largest provider of generic drugs globally. Access to affordable HIV treatment from India is one of the greatest success stories in medicine. India is one of the biggest suppliers of low-cost vaccines in the world. Because of low price and high quality, Indian medicines are preferred worldwide, thereby rightly naming the country “the pharmacy of the world”. The Pharmaceutical sector currently contributes around 1.72% to the country’s GDP.

At present a major constituent of Indian exports are low value generic drugs while a large proportion of the demand for patented drugs is met through imports. This is because the Indian Pharmaceutical sector lacks in high value production along with world class pharma R&D. In order to encourage the global and domestic players to enhance their investment and production in these product categories, a well-designed and suitably targeted intervention is required. This would promote the manufacture of specific high value goods such as biopharmaceuticals, complex generic drugs, patented drugs or drugs nearing patent expiry, cell based or gene therapy drugs.

Further, in order to ensure drug security by, unbridled support to the domestic production capability in APIs/KSMs is needed. This would enhance the resilience of the Indian pharmaceutical industry to external shocks. These initiatives improve our ability to achieve the ultimate objective of affordable healthcare in the country and the target of Health for all by 2030.

### **History of Pharmaceutical companies in India**

Bengal Chemicals and Pharmaceutical Works is the first pharmaceutical company in India. Today, it is one of the five government-owned drug manufacturers that was incorporated on 12th April, 1901. For the next 60 years, most of the drugs in India were imported by multinationals either in fully-formulated or bulk-drug form. The government has actively encouraged the growth of drug manufacturing by Indian companies in the early 1960s, and with the Patents Act in 1970, the Indian pharmaceutical industry emerged stronger. The patent act 1970 deleted the from food and drugs. However, retained the process patents, whose duration was shortened to a period of five to seven years. The absence of patent protection made the Indian market unattractive to the

multinational companies who had dominated the Indian market. As a result, the Indian companies gradually replaced the MNCs. The Indian companies carved a niche in both the Indian and world markets with their expertise in reverse-engineering, in innovative process design 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.

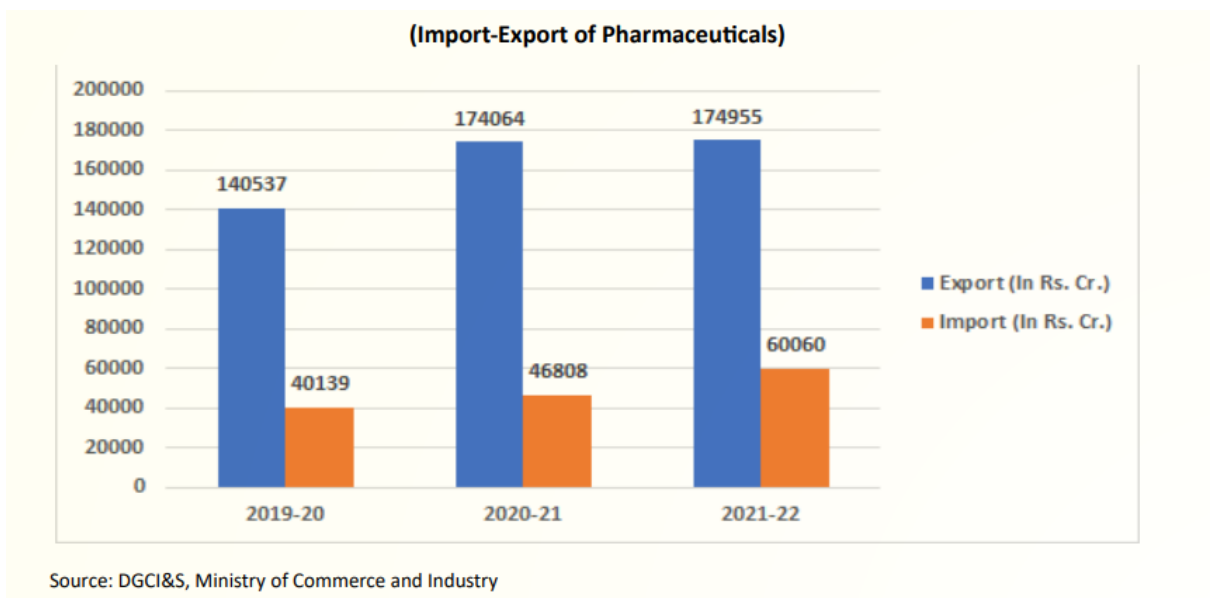
India's pharmaceutical sector is well-known for producing affordable vaccines and generic medications at a third-place global volume in pharmaceutical manufacture. In 2020–21, the industry made up around 1.32% of the Indian economy's gross value added (calculated using constant prices from 2011–2012). For the fiscal year 2021–2022, Pharmaceuticals had a total yearly sale of Rs. 3,44,125 crore (USD 42.34 billion). Generic medications, over-the-counter medications, bulk medications, vaccines, contract research and production, biosimilars, and biologics are some of the main sectors of the Indian pharmaceutical industry. When it comes to the provision of DPT, BCG, and measles vaccinations, India leads the world. About 8% of the worldwide API industry is contributed by 500 API firms. The main source of generic medications is India. It produces over 60,000 distinct generic brands in 60 therapeutic areas, making approximately 20% of the world's generic drug supply. One of the biggest medical achievements is the availability of reasonably priced HIV therapy from India. Indian pharmaceuticals are favored globally due to their affordable prices and superior quality, earning them the title of "pharmacy of the world." The industry has been expanding at a robust pace.

Table shows the sector's yearly turnover trend over the last five years.

Financial Year	Turnover (Rs. in Crore)	Growth Rate
2017-2018	2,26,423	3.03
2018-2019	2,58,534	14.18
2019-2020	2,89,998	12.17
2020-2021	3,28,054	13.12
2021-2022	3,44,125	4.89

Source: Pharmatrac/NPPA/DGCIS, Kolkata

The Indian pharmaceutical business is a major worldwide player, providing millions of people with low-cost, accessible generic medications. The industry provides lower costs without sacrificing quality, as evidenced by the fact that India is home to the greatest number of pharmaceutical facilities outside of the United States that have received approval from the US Food and Drug Administration (USFDA). Additionally, a sizable number of these facilities comply with Good Manufacturing Practices (GMP) regulations set forth by the World Health Organization (WHO) and have also received approval from foreign regulatory bodies. As can be observed from Graph 1A, India's pharmaceutical industry contributes significantly to the nation's international trade and has been steadily producing trade surplus. Pharmaceutical exports totalled Rs. 1,74,955 crore (USD 23.5 billion) in 2021–22, while pharmaceutical imports totalled Rs. 60,060 crore (USD 8.06 billion). As a consequence, there was a trade surplus of Rs. 1,14,895 crore (USD 15.44 billion).



### **Future growth prospects of Indian Pharmaceuticals:**

The pharmaceutical sector has seen significant changes in recent years, putting new demands on payers, providers, and manufacturers. Customers today expect the same variety and convenience from the pharmaceutical sector as they do from other industries. Pharmaceutical marketing aids in raising knowledge of treatments for chronic diseases, which are the major cause

of health-care costs. India is also anticipated to become a pharmaceutical R&D hub in the coming decade, with the Department of Pharmaceuticals preparing a road map for India to become a worldwide player in the industry by 2030.

The Indian Pharmaceutical industry is predictable to grow up to USD 130 billion in value by the end of 2030. In FY22 India had exported pharmaceutical products worth USD 24.62 billion and it has been expected that Indian pharmaceutical exports will reach USD 27 billion in FY 2023. India also has the largest number of manufacturing sites approved by the United States Food and Drug Administration (US FDA) outside of the United States.

**Some of the recent developments/investments in the Indian pharmaceutical sector are as follows:**

1. In December 2020, Piramal Pharma Solutions announced plans to invest Rs. 235 crore (US\$ 32 million) to expand its facility in Michigan, US, with additional capacity and new capabilities for development and manufacturing of active pharmaceutical ingredients (APIs).
2. In November 2020, Indian Immunologicals (IIL) commenced work on Rs. 75 crore (US\$ 10.17 million) viral antigen manufacturing facility in Genome Valley, Telangana, that will enhance its vaccine production capacity by 35% by October 2021.
3. In November 2020, the Indian Institute of Technology (IIT) Bombay has stepped up research and development (R&D) amid COVID-19 and researchers are developing products such as a portable sterilization device and germicidal cabinet; wheeled sterilization unit, especially for hospitals; portable and rechargeable car sanitizer; eco-friendly sprays, and alcohol-free and bleach-free sanitizers.
4. In October 2020, six generic drug makers--Dr. Reddy's Laboratories, Zydus Cadila, Glenmark Pharmaceuticals, Torrent Pharmaceuticals, Hetero Drugs and Ackerman Pharma signed a deal with Hidalgo, a state in Mexico, to establish a large pharmaceutical cluster for production and logistics in Mexico.
5. In October 2020, Aurobindo Pharma acquired MViyeS Pharma Ventures for Rs. 274.22 crore (US\$ 37.30 million).

6. In May 2020, Jubilant Generics Ltd entered into a non-exclusive licencing agreement with US-based Gilead Sciences Inc to manufacture and sell the potential COVID-19 drug Remdesivir in 127 countries, including India.
7. Affordable medicines under Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) achieved record sales turnover of Rs 52 crore (US\$ 7.38 million) in the month of April 2020.
8. During December 2019, on moving annual total (MAT) basis, industry growth was at 9.8%, with price growth at 5.3%, new product growth at 2.7%, while volume growth at 2% y-o-y.
9. In October 2019, Telangana Government proposed Hyderabad Pharma City with financial assistance from the Central government of Rs 3,418 crore (US\$ 489 million).

### **Review of Literature:**

Saurabh Kumar Saxena<sup>9</sup>, (2008), came out with a paper titled as “A Review Of Marketing Strategies Work By Different Pharmaceutical Companies” Provides valuable insights into the supply chain processes and end customer perceptions that determine the formulation of marketing strategies.

Eric Langer, Abhijeet Kelkar (2008), in their paper entitled “Pharmaceutical Distribution in India. Biopharma International”, insights the challenges faced by Indian Pharm companies in ensuring the delivery of uncompromised quality in the multilayered distributed system.

P.Parveen, P.Usha, V.Vasu naik, Rajesh Akki (2013), in their paper entitled “Pharmaceutical Distribution in India” this presents the marketing strategies of a pharma company that shifts from Acute-base to chronic therapy base. This study focus on the processes and outcomes of globally distributed pharma companies as well as the drug pricing control order. The DPCO has been a mill stone around the neck of the Indian industry as its severely restricted pharmaceutical companies.

Dr. Pramod Kumar, Dr. Pramod Kumar (2013),” Marketing Mix of Pharmaceutical Industry in India: An Exploration”, this paper explores the marketing mix of pharmaceutical

industry in India. It provides a critical evaluation of policies and strategies of the pharma companies in the light of the complex interplay of the 4Ps or marketing mix of the pharma companies.

Anil Kalotra (2014), in the paper entitled “Marketing Strategies Of Different Pharmaceutical Companies”, has focused on the three stakeholders in the pharma sector that are fundamental to the success of the marketing strategies. The success the marketing strategies in the competitive context is derived from either a cost advantage or a value advantage or ideally from a combination of both. That flows from a synergistic balance amongst the three stakeholders (the firm, its competitors and its customers)

Manvi Aayush Sood (2019), in their paper entitled “Evolution of Indian Pharmaceutical Industry-Overview” The Indian Pharmaceutical Industry has witnessed several fluctuations in its fortunes over the last three to four decades. It is one of the most efficient industry in India it provides employment and health care to the nation. This paper mainly concentrates on the evolution of the industry, its growth and recent trends.

### **Issues and Challenges faced pharmaceutical companies in India**

Several Indian pharmaceutical companies have successfully deployed many standard strategies with a view to target the various customer types. However, the emerging business and customer trends throw up many challenges and opportunities that may improve the 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 pharmaceutical industry is responsible. However, as the end-user (patient) consumes the product, he/she pays the cost. The appointment of medical representatives for marketing the products to physicians and to convenience the others in the hierarchy of decision makers has been a time-tested tradition.

The industry is still faced with some very serious strategic and operational level issues:

1. Real-time good manufacturing practices and research components are severely lacking in the Indian pharmaceutical business. This has consistently been the main challenge facing the Indian pharmaceutical business. The Pharma businesses should ideally be set up so that they have superior operational capabilities and infrastructure.

2. Indian pharmaceutical businesses are not making enough money since their revenues are essentially much lower than those of their competitors in other nations, like the US. The Indian pharmaceutical sector is thus unable to support its research initiatives.
3. The pharma industry is dependent on China for the supply of raw material for generic medicines production of Active Pharmaceutical Ingredients (API).
4. 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.
5. The government and industry should facilitate the pharmacist community to become entrepreneurs and promote incubators' establishment.
6. Raw material produced from small scale units should be properly validated in the testing laboratory of the state to ascertain their quality specifications.
7. There is a need for a functional testing laboratory in every state to hasten the work of raw materials specification.
8. 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.
9. Skilled manpower from academic institutions can be achieved through continuing education programmes.

### **Marketing Mix Strategy for pharmaceutical companies in India**

The classical marketing mix consists of four different Ps; product, price, place and promotion (McCarthy 1960). Conceptually, this mix may be adapted and relevant to a most product segments. However, experts are skeptical about its utility and relevance in the case of for marketing of services. Some experts also argue that marketing approach in such cases should not be imitated from Kotlerian Marketing.

In order to outline efficient marketing of services the 7Ps approach were introduced - adding people, physical evidence and process to the traditional mix.

Marketing is an essential function in any business upon which the survival of the business entity is dependent. "There can be no effective corporate strategy that is not marketing oriented, that does not in the end follow this unyielding prescription: The purpose of business is to create



and keep customer” (Theodore Levitt 1960). However, Levitt should also add that businesses must also develop products and services that customers want and at prices they are willing to pay. Marketing may be broadly conceived as the process of making decisions about what products or services to put on the market, who are the potential customers for these goods, how to reach the target markets and induce them to buy; how to price the product or service optionally so as to make it attractive to the customers; and finally how to provide the goods physically to the ultimate customers. These matters are often expressed as the four Ps of marketing: Product, Price, Promotion and Place.

The four Ps of Pharmaceutical marketing are discussed below.

### **Product:**

Product is an item that is created in an organization to fulfill the demand of the consumers. It can be intangible or tangible – i.e. service or goods.

The Product related decisions encompass the following aspects such as Brand name, Functionality, Product styling, Quality, Safety, Packaging and After-sales service.

The Product related decision fringes on what your customer wants from you. The Product parameters many changes according to its phase of the Product Life Cycle. For instance, during the introduction phase, the company may launch limited versions of the product just to explore adaptability to the customer needs. Similarly, the number of service centers for after-sales service as well as their location may be determined by the geographical spread of its customers.

### **The following are some of the challenges faced by the Pharma sector with respect to ‘Product’:**

The recent COVID-19 Pandemic has highlighted the shortcomings of the pharma sector in providing the necessary quantities of drugs and other protective items including sanitizers to meet the unexpected surge in the international demand for drugs and accessories to tackle the Pandemic.

1. Demand forecasting and Market Potential
2. Risk management
3. Social Challenges
4. Legal and Regulatory Challenges
5. Distribution Challenges
6. Identifying Customer Pain Points

**Price:**

Price of the product is the amount that the customer is willing to pay for it. The 'Price' element of the marketing mix is vital for ensuring the economic viability of the Product.

The Major decision elements of 'Price' are pricing strategy (model), retail price, wholesale price, discounts offered, seasonal pricing, bundling pricing, price flexibility and price discrimination.

The decision of price depends on Product Life Cycle. A product during its journey from the Introduction stage to the Decline stage has to modify its Pricing strategies according to the changing market situation.

It gives an advantage to the company as the early adopters buy the product at the very initial stage even at a higher price.

India is recognized lowest priced drug manufacturer and marketer of pharmaceuticals products domestically and internationally. One reason for lower value share is the lower cost of drugs in India ranging from 5% to 50% less as compared to most other countries.

**The Pricing Policies of the Indian Pharma sector have to overcome the following challenges.**

**They are:**

1. High 'Out of Pocket (OoP) expenditure
2. Pricing of patented drugs
3. Non-Standard drugs

4. Public and government pressure to make drug prices more affordable
5. Inadequate health insurance schemes is an impediment to high-priced drugs.
6. Higher healthcare cost forces the Pharma sector to focus on cost minimization.
7. Unknown value of revenue from each retailer in the territory.

**Place:**

This P is all about placement and distribution of the product in the market. The place also suggests the Point of Sale of the product. A business has to make sure that the availability of the product should be easy for the customers.

The 'Place' factor comprises of several decision elements such as (i) Distribution channels, (ii) Market coverage, (iii) Inventory, (iv) Warehousing, (v) Order processing and (vi) Transportation.

Market coverage can be intensive, selective or exclusive. For example cigarettes have intensive coverage, while Smartphones selling involves selective coverage in a city. In contrast, luxury products like Mercedes Benz have exclusive coverage.

The decision concerning the 'Place' is determined by the stage in the PLC (Product Life Cycle).

**The following are some of the challenges faced by the Pharma sector with respect to 'Place':**

1. Storage and Transportation of Temperature sensitive drugs.
2. The availability of adequate transportation facilities could pose a challenge in the delivery of drugs to remotely located destinations.
3. As the decision of the customer (the Patient) to use a particular drug is dependent on the Prescription of the Doctor. Hence, the success of the Distribution channel is dependent on the ability of the Drug manufacture to convince the professional Doctor who is mainly responsible for prescribing the drug. As a result, the Pharma sector faces a stiff competition with respect to cringing the Doctors recommendation for the drug.

4. Absence of transportation 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.
5. Unavailability of go down on storage of cold medicines.

**Promotion:**

Promotion is comprised of elements like advertising, sales promotion, personal selling, public relation, publicity, etc.

The various phases of PLC give the different meaning of promotion. The advertising activity is extensive at the introduction stage and comes to selective channels in the maturity stage.

Sales promotion also varies at different stages. The budget of the overall advertising also gets affected. At the decline stage, a business dedicates almost nil budget for advertising. It becomes very crucial to work with the advertising or marketing agency that understands the connection of stages of PLC and Promotion.

**The following are some of the major challenges faced by the Pharm sector vis-à-vis 'Promotion':**

1. Increased competition and unethical practices adopted by some of the propaganda base companies.
2. Low level of customer knowledge (Doctors, Retailers, Wholesalers).
3. Poor customer (both external & internal) acquisition, development and retention strategies.
4. Varying customer perception.
5. The number and the quality of medical representatives
6. High training and re-training costs of sales personnel.
7. Busy doctors giving less time for sales calls.
8. Poor territory knowledge in terms of business value at medical representative level.
9. Unclear value of prescription from each doctor in the list of each sales person.

10. Absence of ideal mechanism of sales forecasting from field sales level, leading to huge deviations

**Conclusion:**

The Indian pharmaceutical industry has recognized a strong presence in the international generics market by distributing high-quality drugs at measure. The industry has made innovations in processes and formulations and developed itself as are liable, high quality and cost-effective global drug supplier. Currently the industry is worth over USD 38 billion and can hope to grow to USD 120 to 130 billion by 2030 by exploiting on the wonderful opportunities that lie ahead. However the Indian pharma companies can achieve the aspiration of eleven to twelve percent CAGR.

Marketing may be broadly conceived as the process of making decisions about what products or services to put on the market, who are the potential customers for these goods, how to reach the target markets and induce them to buy; how to price the product or service optionally so as to be make is attractive to the customers; and finally how to deliver the goods physically to the ultimate customers. The Indian pharmaceutical companies facing challenges related to the four Ps of marketing: Product, Price, Promotion and Place.

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