



Buying Behaviour in Pharmaceutical Formulation Industry

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ABSTRACT

Industrial buying behaviour is a complex process which involves many peoples and departments to make decision. Many authors have discussed about Industrial buying behavior in general and various models are also available. Pharmaceutical Formulation Industry is one, where finished dosage forms like tablets, injections etc., are being manufactured and has various departments like Production, Quality control, Quality Assurance, Purchase. The purpose of this article is to focus on buying behaviour in Pharmaceutical Formulation Industry.

Keywords: Organizational buying behaviour, Pharmaceutical formulation Industry, Decision making unit.

INTRODUCTION

Organizational buying behaviour is the decision making process by which formal organizations establish the need for purchase of products and services and identify, evaluate and choose among alternative brands and suppliers.¹

In the case of organizational buying both buyers and sellers are organizations and so purchasing decision becomes complex. Three types of complexities are there;

- Technical,
- Commercial and
- Behavioural.

In organizational buying several individuals are involved in the purchasing decision as it progress through many phases. Decision is taken by a Decision making unit which is, All those individuals and groups who participate in the decision making process, who share common goals and the risks arising from the decisions.¹

The people who are involved in purchase decision are referred to as the Decision Making Unit (DMU) or the buying centre.

The roles identified with in the buying centre are.¹

Initiators – who request the purchase of an item

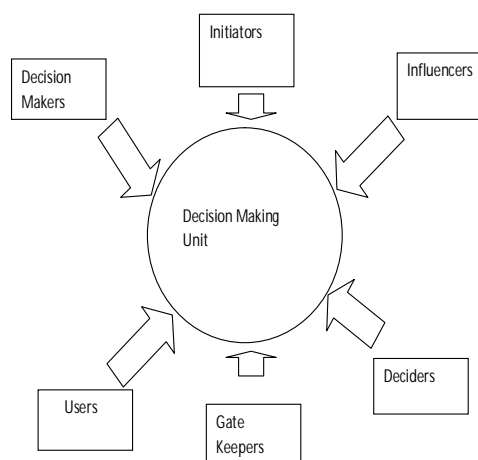
User – those who initiate and sometimes involved in the specification process,

Influencer – help to set the technical specification for proposed purchase and to evaluate alternative potential supplier,

Decider – who make purchase decision and are sometimes difficult to identify. They may not have formal authority to make a purchase decision, but may have sufficient influence internally in purchase decision.

Buyers - Select suppliers and manage the process whereby the required products are procured. They also influence the frame work with in which the decision is made.

Gate keepers - Have the potential to control the type and flow of information to the organization and the members of the Decision Making Unit.



Members of the Decision making unit based on Webster and Wind 1972.

Source: Business Marketing Face to Face. The Theory and Practice of B2B marketing by Chris Fill & Scot McKee. Good Fello Publishers Limited

Buying centre is an informal, cross departmental decision unit in which the primary objective is the acquisition, impartation and processing of relevant purchase related information.²

In the Pharmaceutical Formulation Industry, the functional areas which are involved in the purchasing process are: R&D, Production, Quality control, Quality Assurance and Marketing apart from Management and Purchase department.

Three types of buying situations are there.³ They are:

- New task buying (First time purchase),
- Straight re-buy (routine, low involvement purchase with minimum information need) and
- Modified re-buy (to modify product specification, price etc)

While purchasing the Machineries and Accessories(Capital items), Active Pharmaceutical Ingredients (API), Excipients (Raw materials other than API) and packing materials, direct involvement of Buyers (Top Management), purchase Manager and Influencers (Technical Expertise like R&D manager, Production manager, Quality Control Manager and Quality Assurance manager plays a Primary role. The users like Machine operators and floor people will have secondary roles. But these people act as Deciders also.

API and Raw materials purchasing can be brought under Straight re-buy, if the Vendors, make and cost are fixed. Even then Quality Assurance, Quality Control and Purchase play a primary role as the products must be evaluated as per the Pharmacopoeial standards. Each and every batch and consignment supplied must be analysed as per the standards. Only when the specifications are to be changed and looking for the cost effectiveness, then the situation is modified re-buy. Here also the involvement of technical team is vital as the evaluation is to be carried out under the Pharmacopoeial specifications and to approve the product. The test may be chemical, microbial or even accelerated stability studies.

While making purchase decisions, organization proceed with series of sequential activities which is referred as buying stages or Buying phases.⁴ The stages are Problem recognition, general need description, product specification, supplier search, supplier selection, order process specification and performance review.

Besides the evaluation of API and Excipients as per the Pharmacopoeial standards, various other Technical and Legal Factors play major role.

Most of the Pharmaceutical companies are marketing their products to domestic market where they follow WHO standards and are buying their Active Pharmaceutical Ingredient (API) and Raw materials from their vendors with those standards. Similarly many companies are exporting to various countries like Europe, America, etc. Each country has its own specifications and standards and companies have to validate their vendors and products for those standards to full fill their requirements. To market in UK, company must have MHRA certification (Medicine and Healthcare Products Regulatory Agency). Similarly for America, USFDA (Food and Drug Administration Agency) is a must.

Nowadays standards are specified internationally by IPEC (International Pharmaceutical Excipients Council) to manufacture Excipients. Hence the exporting companies should buy the material from those companies who follow those standards. With all the above standards and procedures, companies are always looking for cost effective and quality products because of many Drugs have come under DPCO (Drug Price Control Order), where the maximum price is fixed by the authority.

Also due to government policy, many companies are situated at Special Economic Zone (SEZ) where Excise benefits are there. The companies which are other than at SEZ don't have excise benefits and hence face difficulties to match the price of the products manufactured at SEZ. This leads to the companies to cut their raw material cost mainly and so they are forced to negotiate with their vendors very much.

Most of the companies involve their Marketing team also to participate into purchasing because of their feedback from the Doctors, Chemists regarding the packing, colour of the product, patient compliance etc.,

CONCLUSION

Buying behaviour in Pharmaceutical Formulation Industry is a complex process which involves Technical, Legal and Political policies. Buying behaviour model has many internal influences by many individuals and various departments which are very critical to be managed by suppliers. Lot of scope is there for future studies in the field of Pharmaceutical Formulation Industrial buying Behaviour.

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