Online Pharmaceutical Industry: Present Day Situation and Future Prospects

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ABSTRACT

Indian Pharmaceutical industry is growing at a very fast pace. With the growth and development of e-commerce in the country, online pharmacies are increasing by the day, although it is at a very nascent stage presently. This paper aims at bringing forth the factors facilitating the growth of the industry and the ones posing hindrance to the same.

Keywords: Online pharmacy; e-commerce; e-retailing; pharmaceutical industry.

INTRODUCTION

The Pharmaceutical industry in India, is the third largest industry in terms of its volume and thirteenth in terms of its value as per a report generated by the Equity Master. The industry has evolved from being almost non-existent to significantly existent, over the last thirty years. High quality Generic drugs dominate the industry, constituting almost 70%-80% of its volume. Globally, India provides for the highest amount of generic drugs, accounting for almost 20% of global exports, in terms of volume.

Indian Pharmaceutical Industry is one of the fastest growing sectors of the Indian economy, estimated to grow at 20% compound annual growth rate (CAGR) in the years to come. The market size of the pharmaceutical industry in India is valued at US $ 20 billion, presently. With the wide pool of scientists and engineers working towards up gradation and innovation of the sector, the growth prospects of the industry look promising in the days to come.

India had an internet user base of about 354 million, as on June 2015. E-commerce is the buzz-word in present times. It is one of the fastest growing sectors in the country, predicted to grow at a compound annual growth rate (CAGR) of 55% as per a report generated by CRISIL. Changing lifestyles and advent of mobile internet had accelerated the growth of the sector to a great extent.

Online pharmacy refers to online vendors, dealing on prescription drugs. Online pharmacy is still a very new concept in India and in its embryonic stage presently.

Although the sector has huge potential for growth, the growth factor is majorly hindered by the restrictions put forth by the Indian law and lack of up gradation of the same when considering sale of prescription drugs through online marketplaces.

In spite of the hindrances, the sector had witnessed significant number of entrants with the growth of e-commerce in the country.

This paper aims at bringing forth the prospects of the online pharmaceutical industry in India, the factors which may enhance the growth of the sector and the ones which pose hindrance to the same.

The study is based on secondary data sources and online resources.

Factors Posing Hindrance to the Growth of the Sector

Government Regulations on the Online Pharmaceutical Industry and Interpretation and Understanding of the Same

Laws on pharmacies in India are mainly governed by four major laws, namely Drugs and Cosmetics Act 1940, Drugs and Cosmetic Rule 1945, Pharmacy Act 1948, Indian Medical Act 1956, Pharmacy Practice Regulations 2015 and a few High Court judgments to provide better understanding and insight into the same.

Most of the aforementioned laws and judgments were written and passed prior to the arrival of computers and that of the internet in the country.

India does not have a set of specified and well defined laws for e-commerce companies at present.

Only available laws, related to the internet are defined in Information Technology Act 2000.

In accordance with several media reports, new set of laws are being drafted for the e-commerce companies, by the Indian Government.

Absence of specific defined laws pertaining to e-commerce companies makes it exceedingly difficult for the players in the e-commerce segment, more so when it comes to online pharmacies. Never the less, the growth of ecommerce in the country in the past few years have compelled the pharmacies to expand their scope and
reach beyond their brick and mortar outlets, thus using technology to meet the healthcare goals of the country.

For, enhancing the same, the available laws are interpreted to facilitate working of online pharmacies, abiding by the existing legal framework of the country:

- According to prevalent rules and regulations, drugs and medicines can be sold by a registered pharmacy, having a retail license, with the knowledge of a registered pharmacist, only when a customer has a genuine prescription.
- Orders can be accepted by the online retailer, only from areas, where the pharmacy retail license applies.
- All drugs and medicines that go out for delivery must be verified and certified by the registered pharmacist.
- Rules and regulations regarding medicines being shipped from one state to another are not very clear presently, as every state has a drug department, which issues license for certain drugs and medicines to be sold within the boundaries of the state.
- Records of customers are to be maintained by the retailer, for each unit of Schedule X and Schedule H drug sold by the pharmacy.
- An online pharmacy cannot take and fulfill order from customers residing in foreign countries.
- Export of drugs and medicines are also prohibited.
- Sale of medicines to minors is prohibited.
- Sale of banned drugs and medicines are prohibited.
- Sale of medicines at a price higher than Maximum Retail Price (MRP) is also punishable, if the customer is not informed about the service charges, levied by the retailer.

The understanding of the existing laws, also does pose a major hindrance to the growth of the online pharmaceutical industry in India.

**Differentiation in the Eyes of Law, amongst Online and Offline Players in the Market**

The online and offline pharmaceutical sectors in India work differently and are also treated differently by law and the guardians of law so to say.

Almost all of us are aware about the way offline pharmacies work in the country. In most of the cases a pharmacist is not present in the premises, prescription is not asked for from customers, medicines and drugs are substituted openly and bills are also provided rarely in case a customer demands for the same.

Whereas when it comes to the online players, the rules and regulations are pretty stringent. This has also led to the closing down of several online pharmaceutical startups in Delhi and Maharashtra, earlier this year, by the regulatory authorities of the respective states. If both the segments are treated equally by law and the protectors of law, the growth and development of the online sector would move at a much faster pace.

**Lack of Structural Transparency from a Customer's Point of View**

The online pharmaceutical industry is still in a very nascent stage. The clarity or transparency a customer is offered in other segments of online retailing is lacking majorly in this segment presently. Lack of reliable information, hinders the transparency and reliability factor majorly. As the industry grows and the demand increases, the quantum of business increases, hopefully this would also improve.

**Lack of Parallel Models in the Evolved Markets, which can be put to Work in the Country**

Due to various reasons, the United States or the European countries did not witness significant online pharmaceutical models. Presently the model applied in the Indian market, needs to be strengthened to cope up with local problems and issues. With the lack of availability of a suitable model from the west to imitate, investors are difficult to come by, although the situation seems to be changing fast in the days to come.

**Lack of Technical Know-how**

Lack of technical know-how is a very major hindrance to the growth of the industry. Most of the pharmacies operating in the country presently, lack basic inventory management systems, and as operating online is also not easy, given the present situation, most of them aren’t even considering having an online presence and upgrading themselves regarding existing technologies. If the lacuna pertaining to technical knows can be eliminated, it would be easier to pace up the growth of the industry.

**Presence of Lobbies**

The pharmaceutical industry in India is highly unionized. Adopting a new model is vehemently opposed by the existing lobbies in the industry.

They prohibit the entrance of any new entrant into the existing system, control the prices and discourage and dissuade pharmacies from having an online presence or working in collaboration with an existing online pharmacy. Given a choice, pharmacies looking forward to growth of their business in days to come, would choose to have an online presence and work with existing online players.

**Growth Drivers of Online Pharmacies in India**

**Formation of IIPA (Indian Internet Pharmacy Association)**

Online pharmacy Retailers operating in the country had come together to form an association, known as IIPA
initiatives taken by the government

Present government of India envisions ‘Digital India’. To make this a reality, the government has invested five hundred crores (Rs.500 crs.) to promote computer literacy amongst masses and thousands of crores to connect the entire country digitally.

E-health is also a major attainable under the Digital India initiative, which aims to provide safe, easy and affordable healthcare to the whole of the Indian population. Besides this the government is also working on drafting a new set of laws pertaining to e-commerce, which would also promote growth of the sector.

changing lifestyles

With rising education levels and growing workforce of the country, time is a very important factor for individuals in today’s world. E-commerce allows the customers to shop from the comfort of home or office and save quite some amount of time, energy and money. With the advent of mobile internet, this has become even easier. E-commerce is growing at a very fast pace in the country. Online pharmacies today have emerged as a result of the same as have the other formats of online retailing.

conclusion

Online pharmacies today are the need of the hour. The Indian economy is growing at a very fast pace and with it is growing the prosperity of the country. Hand in hand is also growing changing lifestyles, changing disease patterns and a growing ageing population. In the growing hoard of technocrats and professionals, we also have growing diseases like obesity, diabetes and heart disease. The income levels are going up and the health scores are coming down.

An inverse relationship is observed between the two in most cases. Apart from this chronic diseases are also on the rise. For sustainable growth and development of the country, a healthy population is the need of the hour.

With technological advancement and advent of the e-commerce, we have access to the world at large and are able to address our needs by effectively using the same. These are tools that make life easier for us in the modern day world.

With e-commerce growing at a very fast pace in the country, it is high time we should be able to promote easy, affordable and timely healthcare to various corners of the country. With the government working in tandem with the players in the industry, we hope to have a prospective growing industry in days to come.

references

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