Research Article

A Study on Retail Marketing of Pharmaceutical Products – Special Reference to Virudhunagar District

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ABSTRACT

Drug & pharmaceutical industry plays a vital role in the health care of a country. The pharmacy retail market in the India has witnessed a growth in recent years. The growth is mainly originated from escalation in urbanization, increase in disposable income, and rising literacy rate in the country along with growing medical awareness. The organized pharmacy retail market in India is comprised of several companies. It is very difficult for a pharmaceutical retailer, to retain the potential buyers. Because, the buyers are scattered according to their convenience of purchasing. In order to keep possession of their sales volume, the retailer has to face a stiff competition in the pharmaceutical sector. The disposable income in rural India is much more as compared to urban areas. Food, shelter and primary education are virtually free in rural areas. Most of the products that are being advertised and marketed aggressively are the low risk-low involvement products. The present study has taken into account the major problems faced by the retail pharmaceutical sector, chief the problems relating to location, purchase of drugs, differential price fixing, severe price falling and so on. In order to ascertain the current position.

Keywords: Retail marketing, pharmaceuticals, Virudhunagar District.

INTRODUCTION

Drug & pharmaceutical industry plays a vital role in the health care of a country. Rapid growth of this industry after 50 years of independence, India, is less than 2 percent of the drug production in the world whereas it accounts for 15 percent of the World population. The poverty and disease in India call for higher standard of healthcare and pharmaceuticals production and on the other side stultifies the growth of industry due to poor affordability of an average Indian. Drug & Pharmaceutical industry has therefore, encountered a tough situation. The Indian pharmaceutical sector witness major changes as a result of liberalization and pressure from GATT (General Agreement on Trade and Tariff) and WTO (World Trade Organization). Pharmaceutical market is that it is one of the most fragmented markets in the country. The maximum market is held by small companies, the largest pharmaceuticals company holding only 6 percent of the market share. This leads to unique marketing mixes. Many a times drugs promoted do not appear on the shelves of the retailing chemist due ineffective distribution system.

The Indian government has listed the pharmaceutical industry as an intellectual industry and investment in research and development has been enhanced. The pharmaceutical products account of 8 percent of the global pharmaceutical sales and India is the fifth largest producer of bulk medicines in the world. The Indian pharmaceutical industry today is in the front rank of India's science-based industries with wide ranging capabilities in the complex field of drug manufacturers and technology. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured. In this paper, an attempt has been made to highlight the various problems encountered by the retailers in the study area.

Table 1: Annual Turnover of Indian Pharmaceutical Market (US$ billion)

Year	Turnover (in Us $ billion)
2015	15.53
2016	16.41
2017	17.87
2018	18.12

Source: Department of Pharmaceuticals, PwC, McKinsey, AIOCD AWACS, IQVIA, CII

India's domestic pharmaceutical market turnover reached Rs 129,015 crore (US$ 18.12 billion) in 2018, growing 9.4 per cent year -on-year (in Rs) from Rs 116,389 crore (US$ 17.87 billion) in 2017.

- Medicine spending in India is projected to grow 9-12 per cent over the next five years, leading India to become one of the top 10 countries in terms of medicine spending. India's cost of production is significantly lower than that of the US and almost half of that of Europe. It gives a competitive edge to India over others.

- The Ayurveda sector in India is expected to reach US$ 4.4 billion by 2018 end and grow at 16 per cent CAGR till 2025.

- Increase in the size of middle-class households coupled with the improvement in medical infrastructure and increase in the penetration of health insurance in the country will also influence in the growth of pharmaceuticals sector.

Table 2: Pharmaceutical Exports from India (US$ billion)

Year	Exports (in Us $ billion)
2015	14.90
2016	16.90
2017	16.80
2018	17.30

Source: Department of Commerce India, Department of Pharmaceuticals, India Business News, Global Trade Atlas, KPMG US -India Dynamic June 2018, Pharmexcil

- India is the world's largest provider of generic medicines; the country's generic drugs account for 20 per cent of global generic drug exports (in terms of volumes). Indian drugs are exported to more than 200 countries in the world, with the US as the key market.

- Indian pharma companies are capitalizing on export opportunities in regulated and semi-regulated markets.

- Pharmaceutical exports from India, which include bulk drugs, intermediates, drug formulations, biologicals, Ayush & herbal products and surgical reached US$ 17.27 billion in FY18 and US$ 12.29 billion in FY19 (up to November2018).

Notable Trends in the Indian Pharmaceuticals Sector[1]

- Indian pharma companies spend 8-13 per cent of their total turnover on R&D

- Expenditure on R&D is likely to increase due to the introduction of product patents; companies need to develop new drugs to boost sales

- India's pharmaceutical export market is thriving due to strong presence in the generics space

- Pharmaceuticals exports from India stood at US$ 17.27 billion in FY18 and US$ 10.80 billion in FY19 (up to October 2018).

- Multinational companies are collaborating with Indian pharma firms to develop new drugs

- Cipla formed an exclusive partnership with Serum Institute of India to sell vaccines in South Africa

- Six leading pharmaceutical companies have formed an alliance 'LAZOR' to share their best practices, so as to improve efficiency and reduce operating costs

- Cipla, the largest supplier of anti-malarial drugs to Africa, acquired South African company Mirren in 2018 for Rs 228 crore (US$ 34 million).

- Mankind Pharma entered the US market in 2018.

POLICY MEASURES SUPPORT GROWTH[2]

✓ The allocation to the Ministry of Health and Family Welfare has increased by 11.5 per cent to Rs 52,800 crore (US$ 8.16 billion).

✓ The National Health Protection Scheme is largest government funded healthcare programme in the world, which is expected to benefit 100 million poor families in the country by providing a cover of up to Rs 5 lakh (US$ 7,723.2) per family per year for secondary and tertiary care hospitalization.

✓ The government has allocated Rs 1,200 crore (US$ 185.36 million) towards the National Health Policy 2017 under which 150,000 health and wellness centres, will provide healthcare closer to homes of the people.

✓ The increased expenditure on healthcare isexpectedto benefit the pharmaceutical sector as well Union Budget 2018-19

✓ BIRAC has been established to promote research & innovation capabilities in India's biotech industry. The council will provide funding to biotech companies for technology & product development.

✓ BIRAC under Small Business Innovation Research Initiative (SBIRI) scheme supports innovations in biotechnology.

✓ Biotechnology Industry Research Assistance Council

✓ Programme on application of biotechnology for women was done to provide employment, skill development, awareness generation, health improvement& socio-economic upliftment of the women population.

✓ In 2017, the Department of Pharmaceuticals released a draft National Pharmaceutical Policy with the following objectives:

- Make all essential drugs accessible to masses through affordable prices

- Provide the Indian pharmaceutical sector with a long-term stable policy environment

- Make India self sufficient in end to end domestic drug manufacturing

- Maintain world class quality for domestic consumption and exports

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[1] R&D - Research and Development, Aranca Research, Pharmexcil, www.ibef.org Pharmaceuticals15

[2] Livemint, Union Budget

- Create a positive environment for research and development in the pharma sector.

✓ As per the new policy, the Department of Pharmaceuticals will have control over the National List of Essential Medicines (NLEM), which decides the drugs for which the Government of India can control the prices

Statement of the Problem

It is very difficult for a pharmaceutical retailer, to retain the potential buyers. Because, the buyers are scattered according to their convenience of purchasing. In order to keep possession of their sales volume, the retailer has to face a stiff competition in the pharmaceutical sector. The emerging retail segment has thrown all marketing techniques haywire. 20 million middle class households spread across 6,00,000 villages in rural India, which is equal to the number of middle-class households in urban India. The researcher has taken into account the major problems faced by the retail pharmaceutical sector, chief the problems relating to location, purchase of drugs, differential price fixing, severe price falling and so on. In order to ascertain the current position, the researcher has drawn 40 sample chemists by using a proportionate random sampling method, according the study area is divided such as urban, semi-urban and rural.

Scope of the Study

The present study covers Virudhunagar District. For the purpose of study, the areas are divided in to Rural, semi urban and urban areas. The researcher has interested to study marketing practice of pharmaceutical products. Regarding marketing of pharmaceutical products, the marketing mix namely 4P's like Product, Price, Place and Promotion have been covered. Medical Science liaisons play a significant role in pharma sales and marketing practice. Its main objective is to create a professional standard and ethical code of conduct. Its aim is to increase the market share by influencing prescriber behavior, increasing script yield and ensuring formulary acceptance.

Objectives of the Study

To evaluate the problems relating to the retail marketing of pharmaceutical products.

Methodology

The study requires a selection of suitable place. Hence, Virudhunagar area has been selected since the researcher belongs to this area and has interested to study the retail marketing of pharmaceutical products. Moreover, there is a heavy concentration of retail units in Virudhunagar District.

Sources of Data

The primary data were collected from the retail pharmaceuticals in Virudhunagar District through interview schedules. The secondary data were collected from encyclopedia, retail Pharmaceutical Merchant's Association reports, magazines, journals, and standard books.

Sampling Design

120 retail pharmaceuticals are considered for the present study. The whole District is divided into three categories namely, Urban, Semi-urban and Rural area.

The following table represents the retail pharmaceutical outlets.

Table 3: Size of the sample

S. No	Area	No. of retail shops	Percentage to total
1	Urban	92	77
2	Semi-urban	13	11
3	Rural	15	13
	Total	120	100

Source: Primary Data.

Pattern of ownership

Table 4: Ownership pattern

S. No.	Nature of ownership	No. of respondents	Percentage to total
1	Sole trader	76	63
2	Partnership	36	30
3	Joint family	8	7
	Total	120	100

Source: Primary Data.

The above table depicts that 63% of the respondents are sole traders and it reveals the confidence of the retailer in investing in pharmaceutical industry. 30% found to be partnership business and the balance 7%. Are joint family concern exists in the study area.

Educational Qualification

Table 5: Educational Qualification

S. No.	Educational Qualification	No. of respondents	Percentage to total
1	Higher Secondary level	18	15
2	UG level	10	10
3	PG level	10	10
4	Diploma in Pharmacy with any one of the above qualifications	82	65
	Total	120	100

Source: Primary data.

The above table depicts that 65% of the respondents are qualified in pharmacy, 15% are higher secondary level, 10% are Graduates and the balance 10% are Post graduates.

Location of the shop

Table 6: Location of the shop

S. No.	Location of the shop	No. of respondents	Percentage to total
1	Busy centers	54	45
2	Adjacent to hospitals	36	30
3	Attached to the hospitals	15	12.5
4	Rural / remote area	15	12.5
	Total	120	100

Source: Primary data.

It is observed from the Table-4 that 45% of the shops have located in the busy centers; followed by 30% nearby the hospitals, 12.5% have attached to the hospital and the remaining 12.5% have located their retail shops at the remote / rural areas.

The study has brought out the information to identify the location of the retail shop because it plays a significant role in establishing a pharma shop. It provides a favourbale condition to easy marketability of the products.

Impact of location

Table 7: Reasons for affecting the location of shops

S. No.	Reasons	No. of respondents	Percentage to total
1	Less number of Doctor's prescription	19	23.08
2	Location of the shop	45	37.50
3	More number of medical shops	56	46.70
	Total	120	100

Source: Primary data.

It is clear from the above Table that 23.08% of the respondents feel that their business affected due to less number of doctor's prescription; followed by 37.50% of the informants opined that that the shops are located in the remote area and the remaining 46.70% of the respondents have opined that more number of medical shops

Hypothesis

The NULL hypothesis is formed that there is NO significant relationship between the location of shop and sales.

The calculated value is higher than the table value. Hence the NULL hypothesis is REJECTED. Establishing that there is significant relationship between the location of shop and sales.

Results

There is a significant relationship.

Table 8: Observed frequency

Opinion of the retailers	Location of shop				
	Busy centers	Nearer to the hospitals	Attached to the hospital	Rural / semi urban areas	Total
Sales affected	21	24	0	9	54
Sales not affected	33	12	15	6	66
Total	54	36	15	15	120

Table 9: Expected frequency

Opinion of the retailers	Location of shop				
	Busy centers	Nearer to the hospitals	Attached to the hospital	Rural / semi urban areas	Total
Sales affected	24.3	16.2	6.75	6.75	54
Sales not affected	29.7	19.8	8.25	8.25	66
Total	54	36	15	15	120

Table 10: Chi-Square Calculations

Observed frequency (O)	Expected frequency (E)	O-E	(O-E)²	$\frac{(O-E)^2}{E}$
21	24.3	-3.3	10.89	0.44814815
24	16.2	7.8	60.84	3.75555556
0	6.75	-6.75	45.5625	6.75
9	6.75	2.25	5.0625	0.75
33	29.7	3.3	10.89	0.36666667
12	19.8	-7.8	61.7796	3.12018182
15	8.25	6.75	45.5625	5.52272727
16	8.25	7.75	60.0625	7.28030303
			Total	27.9935825

Table Value for @ 5% level is 23.43; Calculated Value is 27.99

CONCLUSION

The present paper captioned "problems relating to retail marketing of pharmaceutical products" establishes that most of the retailers are the sole traders, followed by partnership firm. Fifty percentages of the retailers have adequate knowledge and training by working in other retail shops before establishing their own pharmaceutical shops. Nearly half of the respondents' retail shops are located in the busy centres and have opined that their location does not affect the business. The major problems faced by the retailers in marketing the pharmaceutical products are inadequacy of funds, stagnation of stock due to completion of expiry date of the drugs and competition, non-availability of drugs, price fixation due to increasing of tax rate imposed by the government, retail shops with in the dispensaries and short supply of drugs in scarcity times. Since pharmaceutical sector is a growing sector, the problems encountered in the study area may reduce in future.

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