

Customer Focus In Pharmaceutical Marketing In India

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INTRODUCTION

Adrian Payne (2002) asked two questions to six hundred senior and middle level executives from large to medium sized service companies. The first question was, “Does your Chief Executive claim your organization is market driven, market-oriented or customer-focused?” Approximately 75% of managers claimed that these or similar terms were used by their Chief Executives. When he asked the second question, “What percentage of the top 200 service organizations in this country are really customer-focused?” The average response was between 10 to 20 per cent. It seemed that there was an enormous gap in the services' sector between those organizations that claimed to be customer-focused and those which actually were.

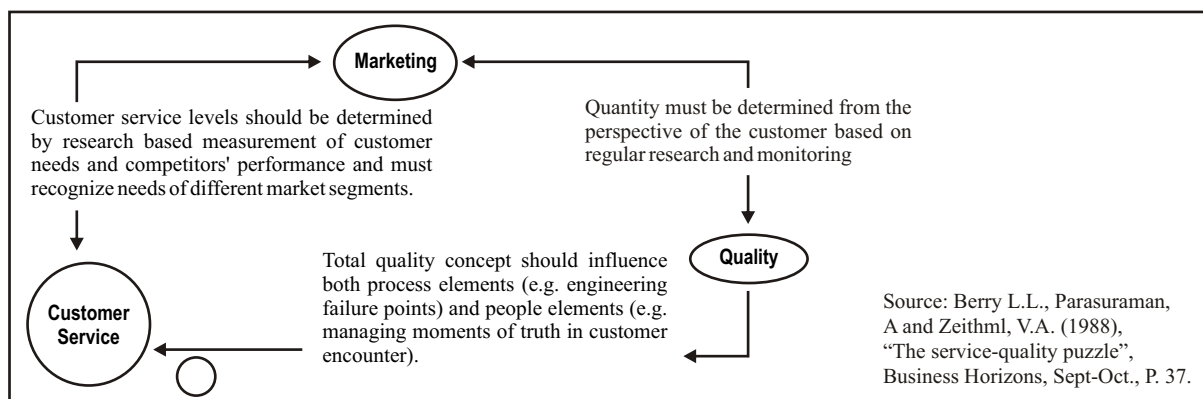
Services have become a vital means of competition in all forms of business services and manufacturing-and offer the potential to achieve significant competitive advantage. Services that can be added to basic manufactured goods are innumerable. They include:

- Delayed payment or leasing systems
- Training
- Service contracts
- Replacement or backup facilities
- Consultancy services and
- Stock-holding in customer parts

In wide range of manufacturing industries, the services areas are emerging as key areas in which to seek competitive advantage. Reasons for these include:

- Flattening of demand in traditional manufacturing.
- Increased international competition.
- Technological and product feature advantage are short lived, and
- Services represent an area of significant profit potential.

Today, many companies which would traditionally be classified as manufactures are heavily involved in services in one form or other. In the USA, 76 per cent of all workers in 2002 were employed in services industries. In India, now, more than fifty per cent of employees are from services industries. Of those working in manufacturing, 65-75% perform service tasks such as research, logistics, maintenance, product design, accounting, and financial, legal and personnel services. In fact, so prevalent are the non-manufacturing services in industries such as publicity, pharmaceuticals and food companies, that it is questionable whether they should be classified as manufacturing industries at all (Quinn, Dorrely et al, 1990).



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The issue of improving customer focus concerns the relationship between the service organization and its customers. The relationship marketing concept brings quality, customer service and marketing together.

Research supports the argument that customer-focused quality is a highly important strategic dimension. The profit impact of market strategies research work (PIMS) study undertaken by the Strategic Planning Institute shows relative customer perceived quality as a critical variable in profitability. A study by Buzzel and Gale (1987) concluded that in the long run, the single most important factor affecting a business unit's performance is the quality of its products and services, relative to those of competitors.

WHY PHARMACEUTICAL INDUSTRY?

Pharmaceutical industry stands at the center of healthcare of nations-rich and poor alike. Drugs assume an important role owing to its capacity to substitute costly means of treatment like surgery. The innovation of new drugs and their rapid diffusion at affordable prices made a significant contribution to the longevity of the human race. Till date, a handful of developed countries remain the source of innovation in global pharmaceutical industry. Just seven countries account for ninety per cent of pharmaceutical patents. The US alone accounts for over fifty percent of those patents. Local firms specializing in production and marketing of generic drugs in developing countries such as India and Brazil have come to dominate first their domestic markets and then have started challenging the developed world's multinational companies in their home markets. As per one estimate by Price Water House Coopers (TOI, 13th June, 2007), India is likely to be in the league of top 10 pharma markets by 2020. The Indian Pharmaceutical market is going to be of nearly \$ 10 billion by 2010 from the existing \$8 billion. The global pharmaceutical market is expected to be more than double to \$ 1.3 billion by 2020. As per the report, the growth of the industry will be driven by the increase in population, obesity, chronic disease condition, aging population and infectious diseases tied to global warming. It is significant to note that the Indian drug industry was of just Rs. 10 cr. at the time of independence. With the protection offered by the Indian Patent Act, 1970; it has gone on to become an industry of nearby Rs. 35,000 cr today and has got a growth rate above the growth of the economy. It has contributed to push up the average age of its populace from less than forty during early seventies to sixty three years today. There are twenty thousand players that contributed to reduce the market share of multinational corporations from over 70% to less than 35% today.

SERVICE QUALITY

Zeithml et al (1990) indentified five service gaps offered by companies. They are:

- Consumer expectations-management perception gap.
- Management perception-Service quality expectation gap.
- Service quality specialization-service delivery gap.
- Service delivery-external communications to consumer gap, and
- Expected service-perceived service gap.

Several writers suggest that technical and functional quality determine much of the corporate image which, in turn, can influence customer's perceived service quality. In recent past, Beery et al (1988) identified five key areas that influence service quality.

They are:

- **Tangibles**-The physical facilities, equipment, appearance of personnel. Factory visits of customers arranged by pharma companies are a step in this direction.
- **Reliability**-The ability to perform desired service dependably, accurately and consistently. Selecting and offering training to the field personnel by companies like Pfizer, GSK, Ranbaxy, Novartis and Aventis is to offer reliability. High R&D investment, development of innovative products, certified good manufacturing practices are augmented by high quality people.
- **Responsiveness**-Willingness to provide prompt service and help to customers. Selecting the right candidates, offering them suitable training and motivational incentive offered to the front line employees by Aventis, Novartis, Ranbaxy, Lupin, Zuventus, GSK and Mankind etc. increased their responsiveness significantly and led to customer satisfaction and better earning by people. A recent survey conducted by authors found that customers like doctors expressed their satisfaction with the service performance of Mankind and Zuventus.

- **Assurance**-Assurance is employees' knowledge, courtesy and ability to convey trust and confidence. People from Novartis, Pfizer, GSK and Aventis exude knowledge and confidence that build customer confidence. Carefully selecting bright people and their proper grooming act in this direction.
- **Empathy**-Caring, individualized attention to customers by people from Mankind, Aristo, Zuventus, Alkem and Lupin offering customized service works wonders for those organizations. Within just a decade of operation, Mankind is a major national player in the pharmaceutical field. Ten of their brands are the leaders in respective categories. All the companies mentioned above like Lupin, Aristo, Alkem, Mankind etc. were having a humble beginning; but empathy stood them out on a different parlance. They are now successful national players with some of them (Lupin, Aristo, Alkem) having international reach.

The study conducted by Beery et al (1988) measured these five parameters in credit card, repair and maintenance, long distance telephone customers and bank customers and found that reliability and responsiveness had been the two most important factors for service quality. Reliability alone contributed to nearly fifty percent of the service quality perception.

BENCHMARKING

It involves looking for the best ways to achieve competitive advantage. It stems from the Japanese practice “dantotsu” which means striving to be “the best of the best”. The company's products, service and practices are continually compared with the standards of the best competitors and identified industry leaders in other sectors. By observing and measuring the best within and outside the industry, it is possible to improve performance of the company. General Electric collaborates with educational institutions and companies known for their good practices to infuse fresh knowledge to adopt and scale up their competitive strengths.

In the pharmaceutical industry, introduction of new products and market success of Cipla is considered enviable. It started from mid-eighties when “Norflox” was introduced by them. They were not only the first to the market but consistency in promotion and distribution made them the brand leader. Introducing large number of new brands in the market place, being the earliest or atleast among the earliest and making them successful in the market has been the talk of the industry for so many years. Companies like Ranbaxy, Sun pharma, Torrent and Mankind are other few that introduced large number of products in a quick succession and are able to make them successful in spite of the possible fear of cannibalization. Other companies can emulate their process and strategies to go ahead in the right direction. In this process, they hire responsible people from the benchmarked companies and introduce products in competing categories. They can also perceptually fix processes or strategy parameters and their possible value and pursue those targeted values that can also lead to achieve desired results.

SERVICE BLUEPRINT OR PROCESS ANALYSIS

Service companies that wish to provide high levels of service quality and customer satisfaction need to understand all the factors that may influence customer perception. Blue printing or service process analysis is a concept which breaks down the basic systems and structures of an organization in order to develop a greater understanding of the service process. The process requires the identification of all the points of contact between the customer and service provider. Possible breakdowns in the service encounter can then be identified, acted upon and improved. It has been found out from research that customers are having limited expectations. If those are taken care of, at least, that will not lead to dissatisfaction. Anticipating unexpressed needs and fulfilling them will go a long way for benefiting service companies.

Band (1989) suggested several approaches to carry out blueprinting exercise. They are:

1. BLUE PRINTING/ CYCLE OF SERVICE ANALYSIS

This concept suggests that each contact with the customer is a “moment of truth”, each being an opportunity to either increase or decrease customer satisfaction. As customer perception is a continuous stream of experiences which determine service quality, blueprinting or cycle of service approach need to enable a service company to shift its employees' perception in order to have a better understanding of customer experience.

In the pharmaceutical industry, in late eighties and early nineties, medical representatives and first line managers were having the concept that large units needed to meet doctors and chemists with a longer time gap in order to maintain their reputation. They were not mentally prepared to call on the doctors very frequently till they were shown the facts

and figures that relatively smaller or mediocre units were becoming market leaders and enjoying better familiarity amongst doctors owing to regular and frequent contact. That offered those organizations to understand the customers' needs better and fulfilled them. Companies like Cipla, Cadila, Aristo, Lupin, FDC and Alkem enjoyed significant market share by offering better service to the customers.

2. VALUE CHAIN ANALYSIS

It involves breaking down each of the activities of a firm into various activities, and finding out where value is added for its customer's delight. Each activity can be analyzed to determine its contribution to customer satisfaction and service quality.

Call planning for one medical representative takes into consideration doctor's specialty, patient profile, work setting, prescription habit, competitors' activity, price sensitivity of the customer, reputation of firms in competition, availability of the product and that of competition, objectives of the concerned company and the competition, financial strength of the nearby retailers and coverage of that area by the company through its direct or indirect distribution etc. If properly analyzed and acted upon, each sub-activity would lead to customer satisfaction and familiarity.

3. STORYBOARDING

This concept was developed by Walt Disney organization in designing its theme parks in order to engineer the customer experience and to ensure the greatest customer satisfaction. When a film is made, each scene is outlined in advance, using a series of sketches arranged in a sequence known as story-boarding. Similarly, sketches of each contact a customer has with the service provider can be used to identify points of improvement in customer service. Scenes can be rearranged to improve the quality of customer experience.

Shostack (1985) offered a blue print for front office & back office staff to follow for better customer experience. They are:

- To chart all the components of a service so that the service can be seen clearly and objectively [Time of visit, frequency, communication message, sampling, availability of products, order booking, call average etc.]
- Next is to identify areas that will most likely cause execution and consistency problems [communication skill, knowledge, customer, attitude, availability of product and place of posting of customer (doctors in particular) etc.]
- Setting execution standards is the third critical part of the blue print. Execution standards not only define the costs of a service, but also the performance criteria and tolerance for completion of each service step (Number of customer calls, number of order booking, amount of order booking, performance of identified products vis-à-vis target, product knowledge, communication style and its effective execution etc.).
- Finally, the manager must identify all the evidences of the services made available to the customer [Message of price change, introduction of product (Through sticker), copy of order booked etc.]

CUSTOMER RETENTION

Earlier, companies were occupied with attracting more and more numbers of new customers. However, a body of recent research points to the strategic importance of customer retention and hence, everybody is interested to increase customer loyalty. A research by consulting firm Bain and Co found a tremendous profit potential of 20 to 85 per cent increase in profitability by improving just 5 per cent of customer retention. The reasons for retaining customers are:

- Retained business
- Sales, marketing and set up costs are amortized over customer lifetime
- Repeat customers are less costly to service
- Satisfied customers provide referrals, and
- Importantly, satisfied customers may be willing to pay price premium.

It has been found out from the study that customers like doctors, chemists and stockiest outlets were having limited expectations from the pharmaceutical companies. Regular visits by medical representatives once or twice a month, sharing latest information with confidence, knowledge and with proper communication skill; honesty of the concerned persons, willingness to support the doctor to gain and retain knowledge were some of the points to consider. For a retailer, information about new product introductions and schemes, settling breakage and expiry claims were found to be the most important points. For stockists, information about schemes, settling breakage and expiry claims,

regular movement of products with the help of concerned representative (mostly through sincere work) and being considerate while stocking the wholesalers were certain points to give importance to.

END POINTS

By their very nature, service organizations are potentially closer to the customers than companies involved in manufacturing. But, unfortunately, marketing has come late to the services sector. Although it is well accepted that marketing orientation is vital to competitive success, companies often find it hard to achieve. The process of changing to marketing orientation sometimes appears to be deceptively simple but demands genuine and ongoing commitment at top management level. Therefore, the chief executive needs to be a champion of marketing. A thorough analysis of competitive and marketing environment in which the company is placed is of vital requirement, and conducting management development programme as per the need of the organization are some of the important criteria if a company needs to put its face towards marketing orientation and customer focus.

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FINDINGS OF THE STUDY

1. LIC has covered almost entire (85%) market share of the insurance sector (Among the teacher community).
2. Average investment in insurance by a teacher is Rs. 11620.44 (± 996.39) per annum.
3. *The actual salary to investment ratio* for men is 2.74% and for women, it is 2.17%, which should be raised up to 25% to get the maximum tax benefit. It shows the tremendous opportunities for the insurance sector.
4. Endowment and Money-back are the most preferred schemes for investment as compared to other schemes.
5. In the private insurance companies, ICICI prudential has covered almost 50% of the market share.
6. Service quality level of the private insurance sector (78%) is higher than the LIC (46%).
7. Advisors, Friends and Tax Benefits are the most important influencing factors in purchasing the insurance.

SUMMARY AND CONCLUSION

This study has tried to explore the business opportunity available for the Insurance sector. The Government sector like LIC has the major hold (85%) in the market. Even in the private sector, about 48% of the market is covered by ICICI Prudential itself. This reveals that other companies have tremendous opportunities in this sector by competing with the major players. This study reveals that to get the maximum tax benefits, teachers have to invest at least 25% more than what they are currently investing. If they invest in the insurance sector and if insurance companies can divert this investment percentage into their sector, they will have a huge business.

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