

Organised pharma retail in india



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Executive summary The retailing arena in India has historically been dominated by traditional formats and only 2% of retail flows through organized sector vis a- vis USA where 85% retail sales come from Organized sector like Super markets.

However, In recent years, a large number of business houses have invested in setting up stores/ malls and have built businesses within retail. Many Corporate houses have already announced their retail plans, which includes many Pharma companies too. Imagine walking into a one-stop shop for your entire healthcare needs. Going by an ORG-Marg study on the emerging scenario of Pharma retailing in the country, small chemists are likely to close shop with the emergence of big retail Pharma chains promoted by Pharma companies themselves, thereby marking the end of unorganised Pharma retailing in the country.

The emergence of organised Pharma retailing would result in elimination of intermediaries and customers will thus be benefited by the margins saved. The Major players involved in the organised Pharma retail chains are Lifespring, The medicine shoppe, Apollo Health and lifestyles limited and Subhiksha. According to these big retail players, organised Pharma retail chains have great prospects in India. The Value added services offered by them differentiate them from the neighbourhood chemists.

However, a research study done to find out the response of consumers to such a concept reveals that, although all the unique facilities and services offered by these retail chains are desired and respected by the consumers, the old concept of neighbourhood chemist is still dominant. Hence unless

and until these retail chains make their presence everywhere by way of franchising or rapid expansion, they will not get the acceptance they desire. Thus it is evident that in the near future, once these organised retail chains expand their geographic coverage, they are bound to get success. But on the other hand, the unorganised chemists, which are in big numbers, are also getting united and started counterattacking the organised retail chains through an integrated approach. This will eventually be beneficial to the ultimate consumer who will get various facilities and services at a cheaper rate and will also lead to improved healthcare standards of the country.

Indian Pharmaceutical Industry: An Overview The Indian pharmaceutical industry is a success story providing employment for millions and ensuring that essential drugs at affordable prices are available to the vast population of this sub-continent.

” Richard Gerster 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 manufacture and technology. A highly organized sector, the Indian Pharma Industry is estimated to be worth \$ 4. billion, growing at about 8 to 9 percent annually. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured. From simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine is now made indigenously. Playing a key Indian Pharma role in promoting and sustaining development in the vital field of medicines, Industry boasts of quality producers and many units approved by regulatory authorities in USA and UK.

International companies associated with this sector have stimulated, assisted and spearheaded this dynamic development in the past 53 years and helped to put India on the pharmaceutical map of the world. The Indian Pharmaceutical sector is highly fragmented with more than 20,000 registered units. It has expanded drastically in the last two decades. The leading 250 pharmaceutical companies control 70% of the market with market leader holding nearly 7% of the market share.

It is an extremely fragmented market with severe price competition and government price control. The pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectibles. There are about 250 large units and about 8000 Small Scale Units, which form the core of the pharmaceutical industry in India (including 5 Central Public Sector Units). These units produce the complete range of pharmaceutical formulations, i.

e. , medicines ready for consumption by patients and about 350 bulk drugs, i. e. chemicals having therapeutic value and used for production of pharmaceutical formulations. Following the de-licensing of the pharmaceutical industry, industrial licensing for most of the drugs and pharmaceutical products has been done away with.

Manufacturers are free to produce any drug duly approved by the Drug Control Authority. Technologically strong and totally self-reliant, the pharmaceutical industry in India has low costs of production, low R costs, innovative scientific manpower, strength of national laboratories and an

increasing balance of trade. The Pharmaceutical Industry, with its rich scientific talents and research capabilities, supported by Intellectual Property Protection regime is well set to take on the international market.

ADVANTAGE-INDIA Competent workforce: India has a pool of personnel with high managerial and technical competence as also skilled workforce. It has an educated work force and English is commonly used. Professional services are easily available.

Cost-effective chemical synthesis: Its track record of development, particularly in the area of improved cost-beneficial chemical synthesis for various drug molecules is excellent. It provides a wide variety of bulk drugs and exports sophisticated bulk drugs. **Legal & Financial Framework:** India has a 53 year old democracy and hence has a solid legal framework and strong financial markets. There is already an established international industry and business community. **Information & Technology:** It has a good network of world-class educational institutions and established strengths in Information Technology.

Globalisation: The country is committed to a free market economy and globalization. Above all, it has a 70 million middle class market, which is continuously growing. **Consolidation:** For the first time in many years, the international pharmaceutical industry is finding great opportunities in India. The process of consolidation, which has become a generalized phenomenon in the world pharmaceutical industry, has started taking place in India.

GROWTH-SCENARIO India's US\$ 3. 1 billion pharmaceutical industry is growing at the rate of 14 percent per year. It is one of the largest and most

advanced among the developing countries. Over 20, 000 registered pharmaceutical manufacturers exist in the country. The domestic pharmaceuticals industry output is expected to exceed Rs260 billion in the financial year 2002, which accounts for merely 1.

3% of the global pharmaceutical sector. Of this, bulk drugs will account for Rs 54 bn (21%) and formulations, the remaining Rs 210 bn (79%). In financial year 2001, imports were Rs 20 bn while exports were Rs87 bn.

STEPS TO STRENGTHEN THE INDUSTRY Indian companies need to attain the right product-mix for sustained future growth. Core competencies will play an important role in determining the future of many Indian pharmaceutical companies in the post product-patent regime after 2005. Indian companies, in an effort to consolidate their position, will have to increasingly look at merger and acquisition options of either companies or products.

This would help them to offset loss of new product options, improve their R&D efforts and improve distribution to penetrate markets. Research and development has always taken the back seat amongst Indian pharmaceutical companies. In order to stay competitive in the future, Indian companies will have to refocus and invest heavily in R&D. The Indian pharmaceutical industry also needs to take advantage of the recent advances in biotechnology and information technology. The future of the industry will be determined by how well it markets its products to several regions and distributes risks, its forward and backward integration capabilities, its R&D, its consolidation through mergers and acquisitions, co-marketing and licensing agreements. Indian Retail Industry- An overview Internationally, retail is the largest private industry in the world economy at \$6.

trillion with financial companies at \$ 5. 1 triliion and pharmaceuticals and diagnostic together at only \$0. 3 trillion. Over 50 of Fortune 500 companies and about 25 of Asian top 200 companies are retail companies and the level of consolidation within each country has significantly grown over last decade.

Though India has the largest retail outlet density in the world today, close to 12 million outlets with sales amounting to \$180 billion that accounts for 10-11 %GDP and generates 6% of total employment it is still far behind USA which generates \$2325 billion sales at a GDP of 9. 4% and is responsible for generating 16-17% employment. Global trends are driving significant value creation in organized retail, as organized retailers have wrested share from traditional retailers, Balance of power is shifting from manufacturers to retailers and International markets are presenting strong growth options. Profits in retail have also been steadily rising and have generated 18% of shareholders returns between 1994 and 1999. The retailing arena in India has historically been dominated by traditional formats and only 2% of retail flows through organized sector vis a- vis USA where 85% retail sales come from Organized sector like Super markets. Even small Asian countries like Taiwan, Malaysia, Thailand get 81%, 55% and 40% respective retail sales from organized sector.

Over the last 4-5 years there are clear signs of emerging revolution in Indian retail. There is an increased demand for better products & retailing from India's first generation of demanding and cash rich consumers. This is in line with economic development driving channel modernization. Many factors like rising income, media exposure changing socio-economic structures and

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booming awakening in rural marketing are the prime factors responsible for this. The Indian healthcare retail market offers several opportunities despite the lukewarm success of recent entrants. In recent years, a large number of business houses have invested in setting up stores/ malls and have built businesses within retail.

Many Corporate houses have already announced their retail plans, which includes many Pharma companies too. Keeping the International model in mind, organized retail in India is on the verge of take off. A study of Mckinsey by 2010, a top 3 grocery retailer with 10% of the organized market share could be \$ 3-4 billion in revenue. Today, India's body and healthcare segment is valued at over Rs. 1, 15, 000 crores. The Indian organized retail market is expected to grow to 5% by the year 2005.

This coupled with a reduction in excise duty by 16% and import duty by 28% would further result in large international product range being available in the major categories of personal care. Thus providing immense scope for growth in the health and beauty retail in India. Organised Pharma retailing..... an Emerging trend Imagine walking into a one-stop shop for your entire healthcare needs. Going by an ORG-Marg study on the emerging scenario of Pharma retailing in the country, small chemists are likely to close shop with the emergence of big retail Pharma chains promoted by Pharma companies themselves, thereby marking the end of unorganised Pharma retailing in the country.

Considering that Pharma retailing is clubbed with fast-moving consumer goods (FMCG) retailing in most cases, smaller chemists will end up selling

just FMCG or OTC products and exiting as Pharma stockists in the near future. Pharma retailing will become the prerogative of big retailing chains such as Medicine Shoppe or Apollo Pharma retailing would become like discount store retailing whereby the chains would be sourcing directly from Pharma companies. " This emerging trend is likely to happen first with Pharma companies themselves who are entering the retail business and thereby getting the ready margins to supply the medicines at a discount. The future trade channel will evolve in such a way that there will be value migration from suppliers to retailers, the reason being the proximity retailers will have with the end customer.

As the role of the intermediary diminishes, retailers will become stronger in their negotiating powers than manufacturers and the only way for companies to keep this bargaining power is to enter into retailing themselves. Organised Pharma retailing will emerge as a Rs 10, 000-crore business in the next 4-5 years. Benefits of Pharma Retail chains Some of the benefits of these retail chains to companies. Due to the co-promotion with the retail chains, there will be increase in sales and a build-up of a long-term relationship with the consumer. There will be efficient supply chain management due to tight inventory control or self-warehousing.

Computerised operations will ensure efficient flow of information. Besides due to the centralised purchases and back-end support, there is a rare chance of spurious medicines trickling down to the shelves. As for the retailers themselves, due to the computerised operations there will be less or negligible loss due to expiry and stock outs. The promotion and advertising will be taken care of by a master franchise.

The value-added services from the companies in the form of free camps would help in building a loyal customer base. Due to the back-end support provided by the master franchisee controlled inventory, there would be better margins and therefore more profits. The customers would benefit by getting medicines below the maximum retail price. There would be routine check-up and advice at free-of-cost to the participating companies. There would be maintenance of patients' profile and database to give expert advice and helping patient compliance and management thus leading to long-term loyalty. According to the study, the consolidation in drug distribution in India is in a formative stage but corporatisation of the retail trade has already begun.

This will lead to elimination of at least one layer of distributors and the customers would thus benefit from the margins saved. The retail landscape will change from the dominating small chemists to organised retailers with a few national and international chains. The different Retailing Models ? Stand alone formatA healthcare supermarket by itself offering customers benefits of front end section comprising of healthcare & OTC products and a prescription center for drugs. ? Pharmacy format To suit the requirements of shops with space constraints.

This format has full -fledge prescription center and a limited range of important healthcare & OTC products. ? Supermarket pharmacy format Paralleled only to healthcare is the growth of supermarkets catering to all needs of the consumer under one roof, the Medicine shoppe has partnered with leading supermarket chains to add one more convenience to its customers - a pharmacy. Hospital pharmacy format Specialized pharmacy

that caters to the unique requirements which ensures smooth functioning of the Hospital and great convenience to in-patients. Major players ? Lifespring
Lifespring is an internationally styled, health and personal care retail store offering a range of nearly 15, 000 domestic and international branded products under one roof. Lifespring currently has six stores in Delhi at high retail density areas and has an annual sale of Rs.

7. 5 crores. Lifespring was launched in August 2000 by Total Care Pvt. Ltd. a company that was incorporated by Tenzo Private Holdings Ltd, an OCB based in Mauritius at 65% stake, along with an Indian business house that had 35% stake. Tenzo is 100% owned by Bodiam International, an established group in organized retailing in Australia, Fiji Islands and Papua & New Guinea.

Lifespring is the first health and beauty store chain launched in North Indian and currently has six stores in Delhi at South Extension, Rajouri Garden, Basant Lok, Greater Kailash, Karol Bagh & I. P Extension. The Store consists of three sections Personal care and Beauty, OTC and prescription Medicines and optical center. The pharmacy at the store offers a little more than a regular chemist, manned by trained & knowledgeable pharmacists, who are at customers' service at all times to advice them on products & prescriptions. A large range of herbal medicines, vitamins, dietary supplements, as well as Health foods is also available here. The customer friendly environment makes the Lifespring chain of Health and Beauty stores a perfect example for captive retailing (organized retailing with much attention on the environment the goods are sold in).

Morepen Laboratories Limited announced the acquisition of Lifespring, a chain of health & beauty stores at a consideration of Rs. 12 crores from Total Care Pvt. Ltd. Morepen would have a 95% stake in Total Care Pvt. Ltd.

and the existing management would retain the remaining 5% of the stake. Lifespring will operate under the umbrella branding of Dr. Morepen, which will now expand its franchise into a retail format. Retail today is the largest private industry in the World economy, estimated at \$6.6 trillion. With very clear strategy of reaching the consumer directly with the total health offerings Dr.

Morepen Lifespring provides an excellent opportunity not only to increased visibility for Morepen's existing product range but also serve as a platform to launch new and innovative healthcare products. Morepen would carefully determine the product and customer segments that it wants to target and develop a distinctive health & beauty store format that offers customers a superior and sustainable value proposition versus competition. ? Apollo Health and Lifestyle Limited: Apollo started with its retail pharmacies in 1987 in Chennai and has 90 wholly owned pharmacies today. They have a turnover of about Rs. 120 crores.

Their chain comprises stores in hospitals, clinics, Indian oil corporation outlets and standalone pharmacies. They also plan to run pharmacies for hospitals in north India and in Apollo clinics. The figure of 90 could grow to 250 in the next three years. Centralised purchase and adherence to GRP standards followed by the pharmacies ensures the supply of genuine and life saving drugs to its customers round the clock. The group plans to take the

franchise route to expand this network to 1000 pharmacies within the next 3 years. The company is in the process of setting up round-the-clock drug and general stores with petroleum major, Indian Oil Corporation or IOC, at all petrol bunks of the company in major cities.

Mumbai alone could have 500 such shops in the next few months. The shops would not only sell medicines but were also planning to offer other services such as Medicare, testing and insurance. ? The Medicine shoppe: The Medicine Shoppe International, based in St. Louis USA has been in the pharmacy business since 1971. With more than 1440 outlets in 10 countries including Canada, Puerto Rico, Malaysia, Australia and Taiwan.

The Medicine Shoppe® started operations in India in February 1999 with shops operational in Mumbai, Navi Mumbai, and at several other cities in Maharashtra, Gujarat and West Bengal. In fact The Medicine Shoppe® is already India's Largest Community Pharmacy Retail Chain and aims to open its 500th franchise by 2005. As on 20th January The Medicine Shoppe® has 31 shops in India. In India, it is following a pure pharmacy and health & hygiene model, as opposed to a beauty & health store chain model in the US. In India it operates through Melrose Trading Company, Its franchisee in India.

It has spent Rs. 7 crores by way of fees and helping develop systems for the franchisees. They set up two concept stores – franchised since – and helped set up systems for its sub-franchisees. The cost of setting up a store is Rs. 10 lakh, inclusive of the franchising fee for 14 years and cost of stocking up.

Cost of real estate is extra. Some of the value-added services and features of The Medicine shoppe are: •All types of medication – Allopathic, Ayurvedic,

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Homeopathic to cater to the entire family needs. •Free personal accident insurance •Listing of blood donors. Health information terminal/ kiosks. •Free periodic screening. •Loyalty programs.

•Clean, spacious & hygienic environment. •Friendly pharmacist and trained staff. •24 hrs. Medication.

•Maintenance of medication history. •Free home delivery. •Credit card acceptance. •Vaccination charts. ? Subhiksha: Subhiksha, the brainchild of Subramaniam, started its service in 1997. Beginning its journey at Thiruvanmiyur, this retail chain now has 49 branches spread across different parts of the Chennai.

Subhiksha's activities are not restricted to serving customers at the outlets. The home delivery concept has picked up in recent times and the company makes 16, 000 deliveries every month. Generic medicines promoted by Subhiksha have also become a hit. As part of its plans to set up an outlet every 2 kms, Subhiksha is now heading towards establishing its presence outside city limits like Arakkonam. There are a total of 700 people to serve customers. Subhiksha has also been in step with technological advancements.

The E-Shop facility helps customers to order their goods on the net. What do the organized Pharma retailers speak..... It's one thing to ask, " which is your favourite department store? " or " where do you buy your music? ". But being a member of a community of consumers who are regulars at a drugstore is little heard of. If, however, what some Pharma retailers have on

the cards comes true, many customers would soon be having their own ‘ brand’ of drugstore.

“ The neighbourhood chemist has been serving the customers fine, but visiting his place is not a great buying experience,” says Viraj Gandhi, managing director, Medicine Shoppe India. “ You need a particular medicine or your doctor has prescribed you one. So you go there, buy it and leave. It basically does not make a difference where you buy the medicine because the prices and the method of sale are the same everywhere. ” Medicine Shoppe India therefore sees a great potential in India to create a chain of branded drugstores that will run in a manner similar to any chain of consumer outlets. “ We will offer all that the neighbourhood chemists offer, though there will be a lot that we are going to add on.

This will include discounts, membership of our users’ club, medical advice and most importantly, personal attention,” Mr. Gandhi says. “ We plan to integrate the demand side – the people in need of healthcare, with the supply side, comprising pharmaceuticals manufacturers and drug distributors to put in place a seamless flow of healthcare,” he adds. Asitava Sen, manager, healthcare, at retail research firm KSA Technopak India Pvt Limited calls Pharma retail a form of specialty retailing, where the merchandise width is narrow – only Pharma, plus, perhaps, a few other accessories – but where sufficient depth in terms of stocking all sub-categories such as oral care, OTC, antibiotics etc is critical.

Essential parameters are therefore common for any specialty retailing, such as how to excel in managing the category (Pharma in this case) in terms of

both sourcing, managing the supply chain and special arrangements with manufacturers for products, promotion, pricing, and other trade terms," he elaborates. According to Mr. Sen the organised Pharma retail business has bright prospects in India. In fact, KSA's projection is that the market, which was Rs 120 crore in 2000, will shoot up to Rs 1000 crores by 2005.

Not surprisingly, there are chains of branded healthcare stores rising on the Indian horizon. Health and Glow, promoted by the RPG Group has about 13 stores including one in Pune, Lifespring, Delhi runs 4 stores, Apollo Pharmacy runs 45, Subhiksha has 40 and Medicine Shoppe has opened 19 outlets. Mr. Sen says the track record of these stores, in general, has been mixed.

For example, Subhiksha has done well since they provide on an average 8 per cent to 10 per cent discount on the MRP. Lifespring, floated by Total Care Private Limited - a 50: 50 joint venture between Delhi's Jatia Group and Bodiam International, Australia, is doing reasonably well given their wide assortment of products and service. The business success of branded Pharma shops depends upon how well they differentiate themselves by offering a larger and unique assortment of merchandise including products which are not available in neighbourhood stores, says Mr. Sen, citing sports medicine or imported health supplement as examples. " Such stores can even come out with their own products, even if it's in the Over The Counter (OTC) category," Mr. Sen adds.

Mr. Gandhi says Medicine Shoppe outlets will ' dispense' medicines rather than selling them. Elaborating this, he says the shops will have trained pharmacists who will extend advice to those who come to buy a particular

drug. “ Even if it’s an OTC drug, we will ask the customer why he’s asking for it, and if we feel it is not the right thing for him, we will suggest seeing a physician,” he claims. Health & Glow, though not strictly a drugstore, does have pharmacists in their outlets to assist the customer in buying the right kind of personal care products. Service levels are also higher in such stores.

Lifespring offers to home deliver free any product that is not available with them while Medicine Shoppe gives a discount of 10 per cent of MRP in such circumstances in addition to home delivery. Mr. Gandhi says his company plans to hold a host of activities in the area of customer education. “ This will come in the form of camps where representatives of pharmaceutical manufacturers will inform the customers about the newer methods of diagnosis and treatment,” he explains.

According to him Medicine Shoppe has tied up with Pharma companies Glaxo and Elder to conduct workshops on osteoporosis, Cipla for asthma and nicotine de-addiction, Cadilla for cardiac care and Johnson & Johnson for child health camps. “ This is a win-win for us, the Pharma companies and the customer, as all benefit in more than one ways,” Mr. Gandhi stresses, adding that many more such alliances with Pharma manufacturers are on the cards. All the players are following the franchisee route to expand their operations across the country.

Mr. Gandhi says it is not necessary that we operate the outlets by ourselves. We transfer the knowledge, skills and vision of this business, standardise the shops in terms of physical infrastructure and design as well as stock range and above all, create the same level of efficiency in each shop to enhance

our brand value,” he says. An important advantage of the spread of this kind of outlets is that the malpractices involved in drug retailing can be eliminated. As the stores work directly with the distributor identified by the parent company and also educate the customers from time to time on various issues, an element of safety is introduced in the medicines purchases in such stores. According to Mr.

Sen, unlike in the developed markets where health insurance companies take care of a larger part of the medical bills, larger malpractices such as fake bills given to consumers for medical claims from employers or selling/home delivering of ethical drugs without prescriptions have ironically become the competitive advantage of the traditional retailers. Branded Pharma shops will have to take a strong view on this, he points out. The business is fledgling in India but overseas, especially in the US, this is a multi-billion dollar business. There are Pharma giants like Boots who are into it and Medicine Shoppe’s parent turns in revenue figures of around \$2.5 billion every year.

The Indian business model involves a one-time entry fee payable by the franchisee and a percentage cut on the sales. The company, which runs the franchisee, has to invest in joint promotions, awareness creation, training of the franchisee staff and the like. “ So far we have been only investing but expect to start making money by 2003, when we will have grown to 100 shops from 19 now,” says Mr. Gandhi of Medicine Shoppe.

Others too have expansion plans as Lifespring wants to reach a number of 25 by the end of the year and Health & Glow is projecting 50 stores in a

similar time frame. What do the consumers speak..... The Research stage

- Objective of the study The objective of the research is to study the perception and attitude of the consumers towards the organized Pharma retailing in India. How important are the value added services offered by the drug superstores to the consumers. What is the awareness level and acceptance level among the consumers.

- Research Methodology
 - oThe research comprised of questionnaire survey
 - The sample respondents were selected randomly from different locations, of different age groups and different income level to avoid biased response.
 - oThe sample size was restricted to 50 respondents, due to time constraint.
 - oThe survey was confined only to the Mumbai region.
 - oThe data gathered through the survey was processed and analyzed using advanced spss statistical package.
 - oRecommendations were given based on the observations.

RESEARCH FINDINGS Awareness about the drug superstores amongst the consumers

Heard about drug superstores	Response	Frequency	Percent
Yes	25	50	100
No	25	50	100
Total	50	100	100

Name of drug superstore aware of

Name	Frequency	Percent
Medicine shoppe	12	24
Subhiksha	6	12
Appollo	6	12
None	26	52
Total	50	100

Only 50% of the respondents interviewed have heard about the drug superstores. Among the drug superstores that these people know, The Medicine shoppe has the highest awareness level (24%) followed by Subhiksha and Apollo healthcare. However, since the study has been confined only to Mumbai, it is quite obvious that The medicine shoppe

has higher rating. Preference for drug superstores Bought medicine from drug superstore previously

Response	Frequency	Percent
yes	91	18
no	418	2
Total	501	100

From the data above it can be seen that although about 50% of the respondents have heard about the drug superstores only 18% respondent have bought some medicines from the it. Also, when asked, whether they prefer to buy medicines from drug superstores or the conventional chemist shops, 90% of them have responded in favour of the conventional chemist shop. The major reason quoted by 52% of the respondents for favoring chemist shop over the drug superstore is the proximity to their house, followed by nearness to doctor's clinic (36%).

This phenomenon can be justified by the fact that, medicines are not treated as specialty or shopping goods but rather an essential commodity. Hence people would not like to have shopping experience while buying medicines but would rather like to have convenience in purchasing them.

Reasons	Frequency	Percent
Proximity to house	265	52
Personnel relationship with the chemist	61	2
Nearness to doctor's clinic	183	36
Total	501	100

Prefer to purchase medicines from	Reason for preferring the shop	Frequency	Percent
drug superstore		51	10
chemist shop		459	90
Total		501	100

Factors one considers while selecting a chemist shop to buy a medicine With the help of this question we determined, how important is each factor while deciding on the chemist shop to buy a medicine. This in turn will help us to assess the influence of different services offered by drug superstores on the consumer.

i. e. the perceived value of the service in the mind of the consumer. ? Day-night availability of medicines RatingFrequencyPercent Not important24. 0 Least important714. 0 Indifferent1530.

0 Important1326. 0 Most important1326. 0 Total50100. 0 Mean: 3. 56 Standard deviation: 1.

15 Day-night availability of medicines has a mean value of 3. 56 which indicates that it is a desirable factor by the consumers and relatively important. But it is not the most important factor for favoring the chemist shop. ? Personalized attention RatingFrequencyPercent Not important12. 0 Least important714. 0 Indifferent1122.

0 Important2244. 0 Most important918. 0 Total50100. 0 Mean: 3. 62 Standard deviation: 1.

01 Personal attention is considered as an important factor while buying a medicine from a particular shop. Availability of all types of medicines RatingFrequencyPercent Indifferent36. 0 Important2652. 0 Most important2142.

0 Total50100. 0 Mean: 4. 36 Standard deviation: 0. 60 The above data shows that availability of all types of medicines is considered as very important factor by the consumers (Mean: 4.

36). Which again shows the importance the consumers give to convenience. ? Clean & well maintained store Rating FrequencyPercent Least important612. 0 Indifferent1326. 0 Important2040. 0 Most important1122.

0 Total50100. 0 Mean: 3. 72Standard deviation: 0. 95Clean & well maintained store although not a very important factor it is desired by the consumer that the store should be clean and well maintained as it indicates the hygiene factor which is important in case of medicines.

? Proximity to house RatingFrequencyPercent Indifferent48. 0

Important2142. 0 Most important2550. 0 Total50100. 0 Mean: 4. 42Standard deviation: 0.

64 Proximity to house is one of the most important factor in selecting the shop as indicated in the previous findings also. ? Free home delivery RatingFrequencyPercent Not important1530. 0 Least important2040. Indifferent816.

0 Important510. 0 Most important24. 0 Total50100. 0 Mean: 2. 18 Standard deviation: 1.

10 Free home delivery in case of medicines is not considered as an important service by the customers and hence cannot be a value added service. ? Credit facility RatingFrequencyPercent Not important2346. 0 Least important1122. 0 Indifferent918.

0 Important714. 0 Total50100. 0 Mean: 2. 00Standard deviation: 1. 11 The data shows that credit facility although desired by few customers, it is generally not a major consideration for purchasing medicines from a particular shop. The above observations show that proximity to house and availability of all types of medicines are valued more by the customers followed by personalized attention, day-night availability and clean store.

However, free home delivery and credit facilities do not generally influence the purchase decision of the customers. To measure the attitude and perception of the consumers towards the drug superstores ? Do the drug superstores charge higher price than conventional chemist Rating

FrequencyPercent Strongly disagree48. 0 Disagree612. 0 Neither agree nor disagree2754.

0 Agree816. 0 Strongly agree510. 0 Total50100. 0 Mean: 3.

08 Standard deviation: 1. 08 About half of the respondents have neutral opinion, whereas 26% of the respondents feel that drug superstores charge higher price than the conventional chemist shop to cover the expenses incurred on their ambience and services. Thus, although there is no strong feeling that the drug superstores charge higher price, it was found in the study that almost 80% respondents are not aware that such drug superstores give price discounts on purchase of medicines. This actually hinders their positioning as value for money. Also, when the respondents were asked about their readiness to travel to the drug superstore from their residence to get the benefit of such discounts, only 14% respondents responded positively. Whereas about 65% respondents were reluctant to travel to get the benefits of discounts.

? Are you aware of the price discounts ResponseFrequencyPercent Yes1020.

0 No4080. 0 Total50100. 0 ? Ready to travel to get price discount

RatingFrequencyPercent Strongly disagree1020. 0 Disagree2244.

0 Neither agree nor disagree1122. 0 Agree714. 0 Total50100. 0 ? Drug superstores are reliable sources of getting genuine

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medicines
 Rating Frequency Percent
 Strongly disagree 24.0
 Disagree 36.0
 Neither agree nor disagree 20.0

0 Agree 22.0
 0 Strongly agree 36.0
 Total 50
 100.0
 Mean: 3.42
 Standard deviation: 0.86
 From the data above it is found that 50% of the respondents feel that drug superstores are sources of genuine medicines whereas 40% respondents have neutral opinion.

This clearly suggests that drug superstores are considered as reliable sources of genuine medicines and the drug superstores can use this attribute to position themselves as genuineness of medicines is given prime importance. ? Availability of rare drugs
 Rating Frequency Percent
 Disagree 48.0
 Neither agree nor disagree 9.0
 Agree 30.0
 0 Strongly agree 7.0
 Total 50
 100.0
 Mean: 3.80
 Standard deviation: 0.78

About 75% respondents believe that rare medicines which are not available in regular chemist shop can be available / made available in the big drug superstores due to their volume of business. ? Professional services in drug superstores will ensure better patient safety
 Rating Frequency Percent
 Disagree 36.0

0 Neither agree nor disagree 15.0
 0 Agree 22.0
 0 Strongly agree 10.0
 Total 50
 100.0
 Mean: 3.

78
 Standard deviation: 0.84
 The above data indicates that about 64% of the respondents believe that professional services offered by drug superstores, viz. personal attention and advice by the pharmacist, maintenance of the case history of the patient, etc. will ensure better patient safety. This

suggests that, if these benefits are properly communicated to the patients, it can shift the balance of the patients in its favour.

? Should More drug superstores come up in the country

ResponseFrequencyPercent Yes4488. 0 No612. 0 Total50100. 0

The data shows that 88% of the respondents have reacted positively towards

emergence of drug superstores in the country. The various reasons for

encouraging drug superstores to come up in the county are as mentioned

below: ReasonsFrequencyPercent Better professional service816. 0 Better value for money510.

0 Avoid sales of spurious drugs816. 0 Availability of all drugs1020. 0 To

ensure better healthcare in country1122. 0 To serve in emergency24.

0 Chemist shops sufficient612. 0 Total50100. 0 Conclusions &

Recommendations ? Only half of the respondents have heard about the drug superstores and only 18% have bought medicines from such stores. People staying in the vicinity of such stores are only aware of them.

Hence there is a need to generate awareness about such stores among the

consumers by advertising in the mass media. ? About 90% of the

respondents have said that in spite of knowing the benefits of drug

superstores, they would still like to buy medicines from the regular chemist

shop. This is because of the convenience that one gets due to widely spread

chemist shops, which are either close to the doctor's clinic or close to the

house of the patient. This shows that convenient location plays a very

important role in buying medicines.

Drug superstores cannot open branches at each and every location, however they should expand their outlets at various locations through franchising program. ? Since proximity is very important criteria in buying medicine from a particular shop, all the other value added services like personalized attention, day-night service, etc. are of no use if the location advantage is lacking. Hence, The drug superstores should tie-up with big hospitals and concentrate on hospital pharmacy formats, so as to provide various value added services to the patients of the hospitals.

Although price discounts is one of the promotional method adopted by drug superstores, majority of the respondents are not aware of it, nor do they have a inclination towards getting the benefits available from these scheme if they are staying far away from the drug superstores. Thus the drug superstores are left with the option of serving their loyal customer base than catering to a large population. ? But, it is also observed that, drug superstores are respected, as they are perceived to be reliable sources of genuine and all types of medicines. Majority of the respondents have reacted favourably towards emergence of such stores in the country, in order to get better service, better value for money and to ensure better healthcare standard of the country.

From the above observations it can be concluded that, the drug superstores should:

- Expand their outlets at various locations through their franchising program.
- Generate awareness through advertisements
- Tie-ups with the big hospitals to provide value added services to the patients.

Limitations of the study The various drug superstores operating in the country operate at different locations in the country. Since, the study was restricted only to the

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Mumbai region, the competitive scenario could not be studied. •It is very difficult to arrive at a conclusion through extrapolation of the data generated, as the sample size taken was very small. •The research was restricted only to the study of perception and attitude of the respondents towards the drug superstores to find out the acceptability of this new concept.

However no attempt was made to find out the market share or competitive scenario in this industry. What do the unorganized Pharma retailers say.....

Organised v/s Unorganised Pharma Retailers The pharmaceutical retail trade community in India is at the crossroads. The community, which has long opposed liberalisation, is today facing a credible, real and tough challenge from retail chains. The performance of India's only established retail chain The Medicine Shoppe, as measured by the growth in its membership base, clearly suggests that the concept of retail chains is gaining in popularity and acceptance and is here to stay.

Encouraged by the early success of Medicine Shoppe, US-based retail chain majors CVS and Long Drug and domestic Pharma majors Zydus Cadila, Cadila Pharma, Nicholas Piramal to name a few have turned bullish towards the retail drug business. The message to the unorganised retail community is emphatic and clear – unite or fall. It is ironical to note that a community known for its unity and solidarity appears to be clueless on how to contain the growing threat of retail chains. The logical solution would be to integrate the entire community across India under a common banner. If this is too mammoth a task, then independent state-level co-operatives could be tried.

Due to their sheer numbers, even a state-level co-operative can easily nullify any competition from retail chain stores. However, this is easier said than done. In fact, a proposal to form such a co-operative was floated by the RDCA, but insurmountable differences among its members nipped the project at the drawing board stage. The AIOCD too tried to work out a model in the past, but was unsuccessful. It is now talking to retail chain majors in Europe for some kind of a partnership deal. But, so far, one has not heard anything conclusive.

It would be incorrect to say that the trade has remained a mute spectator. While the larger picture of large-scale integration is yet to be realized, increasing number of retailers, especially in metros, have embraced IT to improve inventory control management. This is surely the first step. Many of them are also ethical in their practices. It is unfortunate that the whole trading community has come under the spotlight following the drug industry's tirade against counterfeit and spurious drugs.

The trade associations are guilty of being indifferent and it is time the black sheep are identified. The associations should encourage such like-minded entrepreneurs and bring them together under a common banner, no matter how small the co-operative is. Once demonstrated that corporatisation is a viable concept, more members will be willing to join in. But first the trade should understand that the process of consolidation accompanying liberalisation is a reality and will also touch the retail and wholesaler community sooner or later. However, there is no reason to panic since India is a large country and the concept of neighbourhood chemist is well entrenched in the mind of its people.

The trade has much to benefit from integration. Integration can lessen the impact of consolidation. It can play a crucial role to eliminate the spurious and counterfeit racket through negotiated large scale purchasing either directly from manufacturers or through distributors. The timing is of essence.

The trade needs to get its act together before further onslaught demolishes its confidence and strength. Chemists prepare for face-off with manufacturers. There is new war brewing between the pharmaceutical industry of the country and the RDCA or the Retail & Dispensing Chemists Association. The latter is a member body of over 5, 000 retail druggists & chemists spread across the country headed by Kishore R Shah. It is a classic case of friends turning foes and the reason for this is the transgression of the industry into the latter's domain. The trouble started when several pharmaceutical companies and large business groups decided to get into retailing, by opening their own outlet or chain of outlets, which was seen by the RDCA members as a threat to their existence.

According to Mr. Shah, Cadila Healthcare, Cipla and Ranbaxy from among the pharmaceutical companies and the RPG Group in partnership with Dairy Farm of the Jardine Matheson Group, the Jatia Group along with Bodian of Australia and the Piramal Group along with CVS of USA have either started or planning to start their own retail outlets. Shah said, " With the kind of financial muscle these companies have, they would soon swoop over all over the country, threatening our very existence. We will have to convert these challenges into opportunities and wake up before it is too late.

Following the age-old saying that there is strength in unity, Mr. Shah has come up with the idea of uniting all the existing retailers to form a co-operative society and fight the onslaught of organised retailing. In fact he has been toying with the idea for the last twenty-two months and was waiting for the right opportunity to get into it. Mr.

Shah says, “ The only way to counter this threat is to form a co-operative society of existing retailers and inject the most professional methods of management and functioning. As compared to other retail chain operations, the society would already enjoy a clear lead, in establishing themselves by virtue of its having ready infrastructure at the best of locations with experienced and informed manpower. They have an existing customer-base and are well conversant with their needs, buying habits and service requirements. The society can commence its operations, expand and achieve profitability — all from day one. With these advantages, the retailers are upbeat about the prospects of countering the new entrants. What I am most happy about is that the customers will experience increased level of personalized service.

” According to R Suryanarayan, promoter of Dava Trade and Shah’s partner, “ The existing retailers will have to combine their strengths with modern day technology and customer relationship techniques, if they are to retain and grow their existing businesses. The manufacturers and intermediaries involved in the movement of goods will gain from the efficiency of the remodeled supply-chain mechanism, most of which could be passed to retailers, who once again share the chunk with the consumer. Quite clearly the Indian Pharma retail paradigm will be radically restructured and

strategies rebuilt and designed almost entirely for increased customer acquisition and retention. " Mr. Suryanarayan has been studying the possibility of setting up organized retailing in the country over the last three months. The new society, christened Sehat Co-operative Society, will have 500 retailers to begin with, scalable to 2, 000 in the next 2 years. The society is hoping to achieve a turnover of about Rs 350 crore to Rs 400 crore in the first year itself and spreading out its operations to 5 locations. By the end of three years the society is hoping to further grow its membership base to 5, 000 retail outlets in over 20 cities. Mr. Shah is confident of scaling up the operations of the society in the city, which has more than 5, 500 chemists. According to him, in the long run, individual chemists will not survive and these retail outlets will join the society. He says, " I am already besieged with requests from other cities to help plan for their inclusion too. I foresee that within a year, we would be present in more than 5 cities. Starting with Mumbai, Mr. Shah told, the society plans to spread its activities to other cities like Pune, Nagpur, Sholapur, Aurangabad and Nasik. Later he plans to move out of Maharashtra to other states like Karnataka (Bangalore), Tamil Nadu (Chennai), Delhi and Kerala. He acknowledges that there is a dearth of qualified pharmacists and has plans to fill the gap. The big question is will the customer bite? Mr. Suryanarayan is absolutely confident that he/she will. He says that only the top 10 per cent to 15 per cent of the population in not more than 10 cities is accustomed to buying from large super/hyper market/malls, with the rest still preferring buying from conventional neighbourhood outlets. The basic reason, he feels, is because of the perception that larger outlets may price their products at significantly higher levels. He is however not writing off the organised retailers. He says they do

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have their strengths such as offering a different ambience, “pick yourself” feel and multiple products among others. However, conventional outlets, on the other hand, feels Mr. Suryanarayan, can counter these strengths by offering owner-supervised personalised service and better prices coupled with several similar benefits to the customers. Mr. Suryanarayan feels that the proposed society could effect savings by making some key functions more centralised and one of them is procurement. He says, “If a single desk can procure all purchases for members on bulk basis, then quantity discounts can be huge. These benefits could then be passed on to the members. Other significant benefits like data availability for forecasts and better planning will also result in direct savings. These benefits cascade further down to the point of raw material suppliers and further down the chain.” He says all these benefits could lead to substantial savings for the society, which would mean profits for its members and price discounts for the customers. This is not enough. Mr. Shah is so bullish and ambitious about his project, he is even contemplating setting up manufacturing units two years down the line as a part of society’s regulator activity and take on competition head on. He says, “I can always go for some basic drugs like paracetamol, amoxicillin etc. , for which there is always a demand.”

Future Ahead... The organised Pharma retail chains are growing at a rapid pace in the country and posing a big threat to the unorganised chemists throughout the country. The entry of big pharmaceutical companies in this industry is a prominent feature of this emerging trend. With the financial muscle power that these companies have, they can offer various facilitations and services at a lower cost and thus get a leading edge over the neighbourhood chemists. However, the old concept of neighbourhood chemist is still

dominating and all the value added facilities offered by the retail chains take a back seat when it comes to convenience of purchasing. Hence the retail chains have to expand their geographic coverage through rapid expansion by opening new outlets or by the route of franchising. Once the retail chains make their presence every where they will have an upper hand due to various unique services that they offer to the consumers. The unorganised chemists have also united and are taking initiative to counteract the organised retail chains through an integrated approach. This in the future will lead benefit the ultimate consumer in getting various facilities and services at a reduced cost and will also lead to improved healthcare standards of the country.

Appendix-Questionnaire To study the perception of consumers about the Organized Pharma Retailing

1. Have you heard about drug superstores in India? Yes/No
2. Which are the Drug superstores that you are aware of?
3. Have you bought medicines from any drug superstore previously? If yes, Please specify the name of the store)
4. From where do you prefer to purchase the medicines? Drug superstore Chemist shop
5. Why do you prefer to purchase your medicines from that particular shop?

_____ 6. Please rate the various factors that you consider while selecting a chemist shop to buy your medicines, on a scale of 1 – 5 (1- least important, 5- most important)

Factors	1	2	3	4	5
24 hours availability					
Personalized attention					
Availability of all types of medicines					
Clean & well maintained store					
Proximity to your house					
Free home delivery					
Credit Facility					

7. Do you feel that drug superstores charge higher price than that of the local chemist to cover the extra expenses incurred on their ambience and service? Strongly disagree/Disagree/Neither agree nor disagree/Agree/Strongly agree

8. Are you

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aware that some of these drug superstores offer price discounts to their customers? Yes/No

9. I don't mind traveling down to the drug superstore to get the price discount on the medicines. Do you Strongly disagree/Disagree/Neither agree nor disagree/Agree/Strongly agree

10. Do you feel that big drug superstores are reliable sources of getting genuine (not spurious) medicines? Strongly disagree/Disagree/Neither agree nor disagree/Agree/Strongly agree

11. Do you feel that some medicines that may not be available in the chemist shop will be easily available/ made available in big drug superstores? Strongly disagree/Disagree/Neither agree nor disagree/Agree/Strongly agree

12. Do you feel that professional services (such as.. personal attention & advice by the pharmacist, maintenance of patients case history) offered by these drug superstores will ensure better patient safety? Strongly disagree/Disagree/Neither agree nor disagree/Agree/Strongly agree

13. Do you feel that more and more organized drug outlets/ superstores should come up in the country? Why?

_____ Name of the Respondent:

_____ Age: _____ Sex:

_____ Education: _____ Annual family Income: Rs. 4lakh

Address: _____