

## Buyer Preference For MNC Drugs In Rural Pharmacies

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### Abstract

The present study aimed at understanding the buyer preference for MNC drugs in rural areas in the Erode district of Tamilnadu in India. With the advent of the information age, the knowledge of and awareness about the MNC drugs in terms of their quality has become widespread. The MNC drugs though obviously sold at a premium pricing, they do command brand equity. A sample size of 100 respondents which included the pharmacists from rural areas was selected for the study. Percentage analysis and chi-square test along with Garret ranking technique were employed to understand the rural market. The analysis of the study revealed that 51% of the respondents prefer quality. It is also found from the analysis that 29% of the respondents prefer high quality medium price combination. There is a significant relationship between respondents' experience and level of satisfaction.

### Introduction

Buyer preference is an important factor which is a measure of loyalty shown to the brand and thereby to the company. The buyer intends to purchase quality drugs from the right source, at the right time for profit maximization. Product choice and the quantity of each product differ from one pharmacy to another because of the limited resources and avenues for sale.

Therefore, the decision of buying has to be deeply thought of on each occasion. Pharmaceutical buyer behaviour is related to sales promotion which is not only directed towards the ultimate consumer of drug products but also to doctors who prescribe them to their patients through the pharmacies. Selling pharmaceutical products is mainly triggered by the

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perspective of the individual firms. Sales representatives usually call on the doctors & pharmacies for the detailing of their products.

Pharmaceutical firms have come up with innovative strategies to cover the rural population. As the world is moving towards the formation of a real global village with the advent of globalization, the time has come to consider this segment of the market, i.e., the rural market, seriously. Targeting the rural market is a very important strategy in order to retain the competitive edge and thereby to expand their market. Reach of drugs to the rural market is a very big area of opportunity as much as it is for the urban areas and metros. The rural consumers have awakened to the awareness created by the media and other sources and are slowly catching up with the metros and are in a position to demand quality products. Increasing level of literacy, the penetration of all sorts of media is the reasons behind this awakening in the rural areas. A large population in India still lives in villages and rural areas even today. The Indian rural market is still untapped. A semi urban area has emerged as an intermediate level between rural and urban markets. However, the same strategies as followed for the urban may

or may not be suitable in the rural areas, and so firms need to rethink their strategy while considering the rural markets.

The rural population in the Indian subcontinent was estimated to be 70 crores. The recent venture of the drug major Novartis in the Indian rural areas was undertaken under the strategy called 'Arogya Parivar' and Sandoz company's target of 24 generic products can be taken as good examples for the new strategies being followed by the multinationals. As far as pricing of the drugs is concerned, there is no change as such comparing the rural and urban areas (Business Line, September 18, 2008).

### **Pharmaceutical Branding**

Pharmaceutical branding describes the process where by companies attempt to transform an active chemical compound into a recognizable package of associated brand values; these values, such as effectiveness, safety, trust and other emotional associations, have become increasingly important levers through which pharmaceutical marketers can look to achieve greater market share and loyalty in an evermore competitive market space.

### **Rural Retailing: Profession of Rural Pharmacy**

The Rural Retailers deal in a variety of pharmaceutical products, stock and sell to consumers whenever required. Retailing serves as a link between the doctors and the consumers (patients). Selling drugs is a technical job, which requires persons with specialized training. It is a challenge when it comes to the rural market for a variety of reasons such as the low literacy level in the rural areas.

The profession of pharmacy is noble in its ideals and pious in character. Apart from being a career for earning livelihood, requires an attitude of service and sacrifice in the interests of the suffering humanity. Inhandling, selling, distribution, compounding and dispensing of medical substances including poisons and potent drugs, a pharmacist in collaboration with medical men, is endowed with the responsibility of safeguarding the health of the people. This characteristic is more apt in a rural set up, where many people still live below the poverty level.

### **Drug Preferences in Rural Areas**

The study was aimed at preference for branded drugs in rural pharmacies from

multinational companies as the researchers would call interchangeably. A sea change is happening in the marketing of pharmaceuticals in this era because of the globalization and the consumers have become well aware of the choices that they have in healthcare facilities. The difference between drugs and FMCG is the role of the physician. This aspect dictates the consumer preference and thereby the shelf space for the respective company products by the wholesaler and the retailer or in this case the pharmacists or those who carry out pharmaceutical retailing as a profession.

Pharmaceutical sales can be studied from various foci, as far as the retailing is concerned. The rural population in India has awakened to the current situations and the prevalent economic and market conditions. The awareness of health care amidst the rural population has grown with the penetration of the electronic media. Rural population in India is yet to avail of the modern healthcare facilities that are available in the urban areas. The rural market in India is enormous and the companies are aware of this fact and are vying with each other to get the bigger share of the rural market.

## Review of Literature

Literature survey was carried out to understand the rural area marketing of branded or MNC pharmaceutical products and it was realised that a lacuna does exist in this particular area as far as rural pharmacies are concerned and hence the study.

Goel(2007) has reported that the Indian industry is expected to be \$35.7 billion by the year 2012. The growing healthcare market accompanied by the socio economic changes in the population has made the Indian healthcare industry an attractive investment proposition, and that there exists a gap between the talent pool and industry demands.

Mishra (2007) has reported about the recent developments in the Indian pharmaceutical retail sector. Healthcare spending of the average Indian is estimated to hold the third position. The Indian consumer behavior with respect to pharmaceutical spending is changing for the better. Both organized pharmacy chains and traditional retailing cater to the changing spending habits of both the rural and the urban clientele. Traditional and organized sectors will have to coexist to serve the vast and enormous Indian population.

Yodav etal (2006) has reported the improvements that need to take place in the standards of a profession, which largely depend on the performance of persons practicing it. It is found that majority of the pharmacies are functioning as medical and general stores, about 25 percent try to educate patients about the illnesses , the poor and shabby look of pharmacies, lack of professional awareness, poor contacts with community, lack of counseling, and poor communication with prescribers etc,

Jaiswal etal (2006) have analyzed the crucial role of the retail pharmacist in rural areas. The patients do not purchase the whole prescription due to economic conditions, the lack of professional competence of the retail pharmacist, the problems faced by the retail pharmacists when the medicine is unavailable. The physicians are revered more and the substitution medication advised is not accepted.

Sawant etal (2005) have reported that community pharmacy is still in the primitive stage and is confined to the medical shop. The role of the community pharmacist is not recognized. There is an urgent need to reveal the current scenario of community pharmacy in India. The number of pharmacists working is less,

low remuneration and poor social status being the cause of lack of professionalism, and unhealthy competition exists in mere trading. Storage facilities are poor.

Prabha et al (2005) have reported on the customer's behavior and his expectation from the pharmaceutical service. The study showed that the customer expects various services from the pharmacist like information about drug, its side effects, and action of the purchased drug.

Coscelli (2000) have reported on the contribution of doctor and patient habit to persistence in the market shares in prescription drug markets. The results suggest that there is significant evidence of time dependence in prescription choices for both doctors and patients.

Ghasswalla (2007) has reported on the new developments in the retail pharmaceutical sector. Medicines were made available at cheaper rates. Tie ups have taken place between laboratories and hospitals, doctors and pathologists have formed alliances in the retail sector venture.

Vian et al (2007) have reported on the effects of philanthropic efforts taken by firms such as Pfizer for serving the HIV positive patients in the developing world

and that it has a positive impact on the image of the company in the public eye as well as on the employees of the organization by cultivating a positive attitude, and as a program for transfer of knowledge and skills.

Kalairaj (2007) has reported that there are three important areas in drug research such as consumer research, Industrial research, and pharmaceutical research i.e focus on the respondents.

Sawhney (2007) has reported on aspects such as tax exemption, lowering of duties, reduction of research and development costs, health insurance, rural disbursement to help the health and quality life of the rural population etc. The increase in spending for national rural health mission from Rs.8207 crore to Rs. 9947 crores, is a welcome to the pharmaceutical companies to invest in the rural markets of India.

Goel et al (1996) have reported that retail pharmacies in developing countries are one of the most important sources of advice on drugs because of ease of access; availability of medicines; quality of service (no waiting and convenient hours of operation); and cheaper products, availability of credit, or the option to buy drugs in small amounts.

However, the appropriateness of prescribing by retail pharmacy staff has been found to be far from acceptable.

Kaushik (2003) has reported that Pharma retailing is becoming more organised and corporatised as is seen in other retailing formats. Healthcare ranks third on the Indian consumer's spending list, which is not only due to rising disposable income among the Indian middle and upper classes but a growing awareness about health which has helped corporate India to look at pharmaceutical retailing as a lucrative business model.

Jalan (2007) has reported that with almost 7 to 8 lakh pharmacy retail outlets in the country, which may be is the truest reflection of the current situation. The pharmacies have low cost structure because of poorly qualified personnel with no training and sub standard infrastructure. The industry also suffers from less evolved OTC category.

### **Objectives of the Study**

The following objectives were framed for the present study:

1. To study the concept and nature of buyer preference for pharmaceutical products of Multinational Companies in rural areas.

2. To analyse the problems faced by consumers and retailers of the MNC drugs in the rural areas.
3. To determine the reasons of the buyer to prefer the MNC drugs in rural areas.
4. To study the level of satisfaction of pharmaceutical buyers from MNC drugs in rural areas.
5. To suggest appropriate measures for improving the sales and increasing the level of satisfaction of buyers of MNC drugs in rural areas.

### **Research Methodology**

The study was carried out from two points of view. One from the point of view of retailers, who are the medical shop owners and the other, is from the view point of the consumers. However, the data regarding the consumers are collected from the medical shop records. This covers the data from the physician's angle as well. Therefore the sampling unit here is the medical shop owners.

Simple stratified random sampling method was used to collect the pertinent data. The study was conducted in rural areas in Erode district. A sample size of 100 pharmacies from rural areas in Erode district was chosen as the respondents.

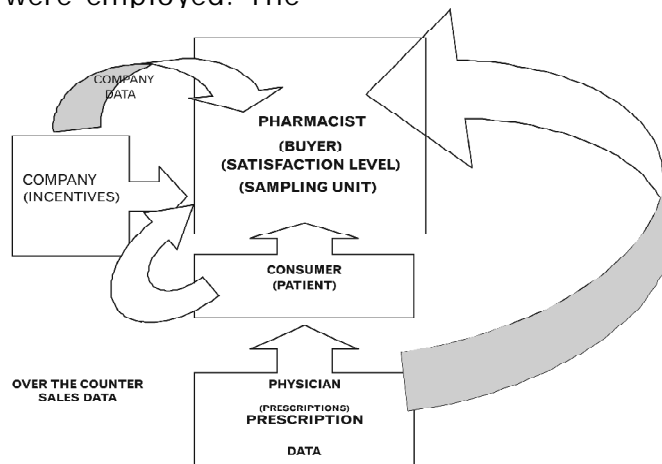
The sample consisted of pharmacy owners in erode rural areas. The researcher met the respondents and explained the nature of the study and data were collected through a structured questionnaire and field survey technique was employed to collect the primary data. Besides the primary data, secondary data were also collected from the area profile, websites, books, various magazines, journals and books for proper understanding of the problem. A pilot study was conducted with few samples. Based on the pilot study the questionnaire was modified and finalized. The modified questionnaire was then used to collect the data from the chosen respondents. The data collected from the primary source were arranged and tabulated in a systematic order. SPSS software package was used to analyse the data. The Data were analysed using simple statistical tools like Percentage Analysis, Chi-square Test and Garrett Ranking method were employed. The

study was carried out in the rural areas of Erode district. The district has a population of 23.20 Lakhs accounting for 4.2% of the State's population as per 1991 Census against the share of 6.3% of the geographical area of the state. The population projected for the year 2000 is around 25.06 lakhs.

The rural population consists of 75.29% of the total population, as compared with states' average of 65.85%. The density of the population is 283 per Sq.Km as against the states' average of 429 per Sq.Km. Erode district is one among the industrially developing districts. Industry and Trade occupy a place of prominence in the economy of the district.

### Approach To The Study Of Rural Buyer Preference

Figure:1- The approach to the study has been illustrated in the model that is given below:



In this study, the direct and the indirect causes responsible for buyer preference of the MNC drugs were considered. The problem was approached from the point of view of the pharmacist, the physician who prescribes the drugs, the consumer, and the company that sells the drugs. As far as this study is concerned, the direct cause was the pharmacist's preference as a result of his own judgment of the company drugs. The indirect causes were the physician, the consumer, and the company aspects.

Data were collected from the pharmacist, the sampling unit, where the pharmacy is the pool of data from all the four sources such as the physician, the patient, the company and the pharmacist himself. This approach helped to gather information of the sides from one source thereby saving cost, time and other resources. The demographic factors that were considered for the study included age of the respondents, gender of the respondents, the educational qualification, the monthly income of the respondent, experience in selling pharmaceuticals in the rural areas, and wealth position.

Product features such as awareness, general reasons for preference, quality parameters, common defects while using

the products, price-quality combinations, and the source of buying. The details about the awareness level of the respondents were also collected. The factors considered for the study were knowledge about the product, awareness about the quality of the product, awareness about the recent developments in the field of pharmaceuticals and awareness about the marketing strategy of the pharmaceutical firms.

Important attributes such as customer preference, price policies adopted by them, mode of purchase of the products, demand for the multinational company products, prescription pattern of the physician, the company taking back the unsold or expired products, common defects that were met with while buying the products, most preferred products of the multinational firms and the methods followed to motivate the buyers etc.

#### **Buyer Perspectives Effecting Preference**

As illustrated by the model, the first point of focus was the buyer himself. The buyer was chosen to study because he has first hand knowledge about the MNC products.

In order to understand the relationship between the level of satisfaction in selling pharmaceuticals in rural pharmacies, a



thorough study of the buyer's demographic profile was done and the data were analysed using SPSS software. Chi square test was carried out (5% level) and the result of the same is presented in the table given below.

**Table : 1 Buyer Perspective Effecting Preference For Mnc Drugs In Rural Pharmacies:**

Factor	Degrees of Freedom	Calculated $\chi^2$ value	Table value	Remarks
Age	6	13.757	12.592	Significant at 5% level
Gender	2	1.758	5.992	Not significant
Education Qualification	6	4.49	12.592	Not significant
Income	6	16.031	12.592	Significant at 5% level
Experience	6	13.998	12.592	Significant at 5% level
Wealth position	6	14.218	12.592	Significant at 5% level

From the table, it can be seen that there is a significant relationship between the age of the respondents and level of satisfaction in selling pharmaceuticals in rural areas. Gender of the respondent and level of satisfaction had no significant relationship. There was no significant relationship between Educational qualification and level of satisfaction in selling drugs in rural pharmacies. There was a significant relationship between the Income of the respondent and the level of satisfaction in selling MNC pharmaceuticals in rural pharmacies. Experience in the field had a significant relationship in selling MNC drugs in rural pharmacies. Wealth position of the respondent had a significant relationship with the level of satisfaction perceived in selling MNC medicines in rural pharmacies.

Apart from these, there were a few other reasons the buyer prefers to sell the MNC medicines like level of awareness about the product, quality of the medicines, brand image, price quality combination where the buyer prefers a High quality- medium pricing which are considered affordable by the common man.

### Company Causes Effecting Preference

As was stated in the approach to the study, the second point of focus was the company and how it can affect the buyer preferences of the pharmacists. The factors studied were shown in the table given below.

**Table 2 : Role of Company Initiatives**

S.No	Attribute	Percentage of respondents
1.	Incentives	40
2.	Motivation package	54
3.	Price satisfaction	51
4.	Discounts	39
5.	Credit Facility	40
6.	Taking back expired drugs	43

From the above table, it can be seen that 40% of the respondents have the opinion that the incentives taken by the companies are essential to prefer the MNC drugs, motivation packages were the preferred strategies by 54% of the respondents. The table also shows that 51% of the respondents were satisfied with the pricing of the products. About 39% of the respondents were satisfied

with the discount facilities given by the companies, and 40% of the respondents are satisfied with the credit facilities offered by the companies. About 43% of the respondents are of the opinion that the companies take back the expired drugs.

### Customer causes effecting preference:

The third point of focus was the customer as far as the over the counter sales were concerned and not by prescription by the physician. There are several medicines and personal care products which do not require the prescription and the customer has the choice to purchase what he likes. This contributes directly to the sale of the product. The customer preference points were analysed were given in the table as below.

**Table : 3 Role of Rural Customer Preference**

S.No	Attribute	Percentage of respondents
1.	Preference by customers (OTC)	74
2.	Customer demanding or the products	53

From the above table, it can be seen that 74% of the respondents were of the opinion that the rural customers do prefer the MNC products and a surprising 53% of the respondents were of the opinion that the rural customers demand the products of MNCs.

#### Physician Causes Effecting Preference

The fourth point of focus was the effect of physician prescription for the preference of the MNC products by the buyer. The analysed factors are given in the table below.

**Table : 4 Role of Physician Prescription**

S.No.	Opinion	No. of Respondents	Percent age
1.	High	56	56.0
2.	Medium	31	31.0
3.	Equal to Indian drugs	10	10.0
4.	Low	3	3.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>

From the above table, it can be divulged that a good majority of 56% of the respondents were of the opinion that physicians in rural areas prescribe the MNC drugs to their clients.

#### Most preferred MNC products:

##### Garret ranking technique

In order to understand the most preferred products from the MNCs Garret ranking technique was employed and the results are given in the table given below.

**Table : 5 Most Preferred MNC Products**

S.No	Attributes	Weighted Score	Rank
1	Life savers	183	V
2	Pain killers	237	II
3	Health supplements	276	I
4	OTC (Over The Counter drugs)	228	III
5	Others	186	IV

The above table shows details about the most preferring products faced by the respondents. It is inferred that duration of cure ranked first which represents a score of 276 points, pain killers ranked second which represent and a score of 237 points, OTC (Over the Counter drugs) ranked third which represent a score of 228 point and others ranked 4<sup>th</sup> which represents a score of 186 points and life savers ranked fifth which represent a score of 183 points.

### Problems in selling MNC drugs:

To get a clear insight into the problems faced by the rural pharmacies who sell MNC drugs, Garret Ranking technique was employed and the results are shown in the table given below.

**Table : 6 Problems In Selling Mnc Drugs**

S.No	Problems	Weighted Score	Rank
1	Supply	448	II
2	Competition	473	I
3	Product efficiency	403	III
4	Payment	241	V
5	Profit of the product to the chemist	374	IV
6	Price	183	VI

The above table shows details about the problems in selling it is inferred that competition is ranked first which represents a score of 473 points, supply is ranked second which represents a score of 448 points, product efficiency ranked third which represent a score of 403 points, profit of the product to the chemist ranked 4<sup>th</sup> which represents a score of 374 point and payment ranked fifth which represent a score of 241 points and price ranked sixth which represents, a score of 183 points.

### Findings of the Study

- It was found from the study that there is a significant relationship between age of the respondent and the level of satisfaction in selling the MNC pharmaceutical products in rural areas.
- It was found from the study that there is no significant relationship between the gender of the respondent and the level of satisfaction in selling MNC pharmaceutical products in rural areas.
- It was from the study that there is no significant relationship between the educational qualification and level of satisfaction perceived when selling MNC pharmaceutical products in rural areas.
- It was found from the study that there is significant relationship between the monthly income and the level o satisfaction perceived in selling MNC pharmaceutical products in rural areas.
- It was understood from the study that there is a significant relationship between the experience in field and level of satisfaction perceived while selling MNC pharmaceutical products in rural areas.

- It was observed from the study that there is a significant relationship between the wealth position of the respondent and the level of satisfaction perceived while selling MNC pharmaceutical products in rural areas.
- A good majority of the respondents were aware of the properties of the drugs they sell, and a majority of the respondents prefer the products for their quality.
- Ease of usage and quality packaging were the preferred quality parameters.
- Price – Quality preferences were high quality and medium pricing.
- As far as the company factors were concerned the credit period was the factor preferred followed by discount facilities.
- A good majority of the respondents were satisfied with the price quality combination.
- A majority of the respondents were of the opinion that the companies do not take back the expired products.
- It was revealed from the study that free samples and discounts were the incentives given to the sellers.
- A good majority of the respondents have the opinion that monetary benefits such as an accepted percentage in the sales were given to motivating them.
- A vast majority of the respondents were of the opinion that the rural consumers prefer the products from MNCs.
- A good majority of the respondents were of the opinion that the rural consumers demand the MNC products.
- A majority of the respondents were of the opinion that the prescriptions from the physicians were high.
- A majority of the respondents were of the opinion that expired drugs were the common drawbacks of the pharmaceutical products.
- The most preferred MNC products were the health supplements, followed by pain killers.
- As far as the common problems while selling the MNC products were concerned, competition was ranked first on the Garrett ranking technique.

### Suggestions

- Improving the incentive packages given to the pharmacists such as more of free samples, and compliment packages. The rural pharmacists should be treated on par with their counterparts in the urban areas.

- The respondents who are not satisfied with the price and quality combinations need to be identified and given special attention so as to increase the sales of their products.
- The companies who do not take back the expired drugs should change their policies and special considerations need to be given for the reason that in the rural areas the sales of certain products may not be common because the economic conditions in the rural areas are lower than the urban areas and the consumers may not be purchasing the products as often as it gets expired and the buyer will have to incur losses for the unsold drugs.
- Motivating the buyers should be carried out by strategies like continuing education, organizing seminars, and other refresher courses so that the buyer would get to know of the new developments that have taken place in the field, and the new drugs that have been introduced.
- The pharmaceuticals should be made user friendly.
- The areas where there is a low demand for the drugs should be identified strategies to improve the situation.
- The low prescription areas should be identified and improved by strategies such as physician targeting and continuing education methods.
- Over the Counter (OTC) sales should be given more attention and prices should be reduced wherever the consumer has a choice.
- Competition ranked as the first ranking problem. To overcome this threat, companies need to improve the quality and efficiency and also lowering prices in order to improve the sales of the pharmaceutical products.
- The retailers need to equip themselves as community pharmacists by advancing know ledge and skill to meet not only the changing needs and demands, but also to become successful commercial entrepreneurs.
- Model community pharmacies need to be started to impart training to the newly graduated pharmacists so that they can give quality service to the rural population.
- The MNCs need to realize their CSR and improve the rural communities in India in order to position themselves among the rural population.

- Rural women should be encouraged to come forward to undertake pharmaceutical selling as a profession and service by empowering them with the needed finance and other knowledge sharing strategies.
- Improving the efficiency of their daily operations by adopting IT like computers will enhance their customer relationship and better service.
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