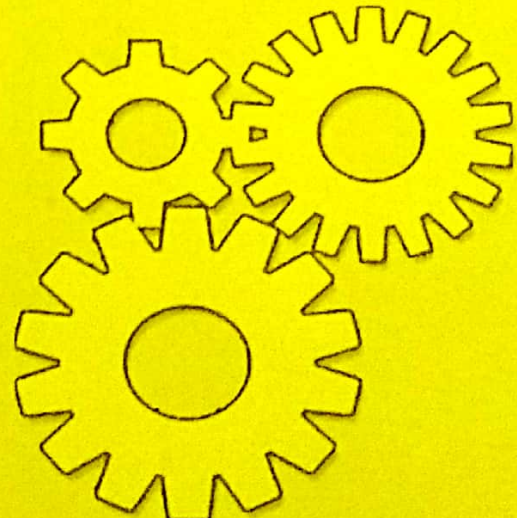


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A Study of Implementing CRM Technology in Pharmaceutical Industry

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ABSTRACT

In this paper, an attempt has been made to explore how innovative customer contacts have emerged as a standalone and comprehensive area of knowledge in the pharmaceutical industry. As such, the paper seeks to understand through suitable examples and research findings: (1) the forces driving customer relationships; and (2) the issues involved in implementing customer relationship strategy, in the pharmaceutical industry. Suggestions are also made with regards to careful collection and application of personal contact information to the customers' database, and incorporating them into the marketing strategy of Indian pharmaceutical sector. Thus, the paper seeks to explain through suitable examples, the implementation of right marketing strategy by segmenting and targeting the market through individual customer interactions.

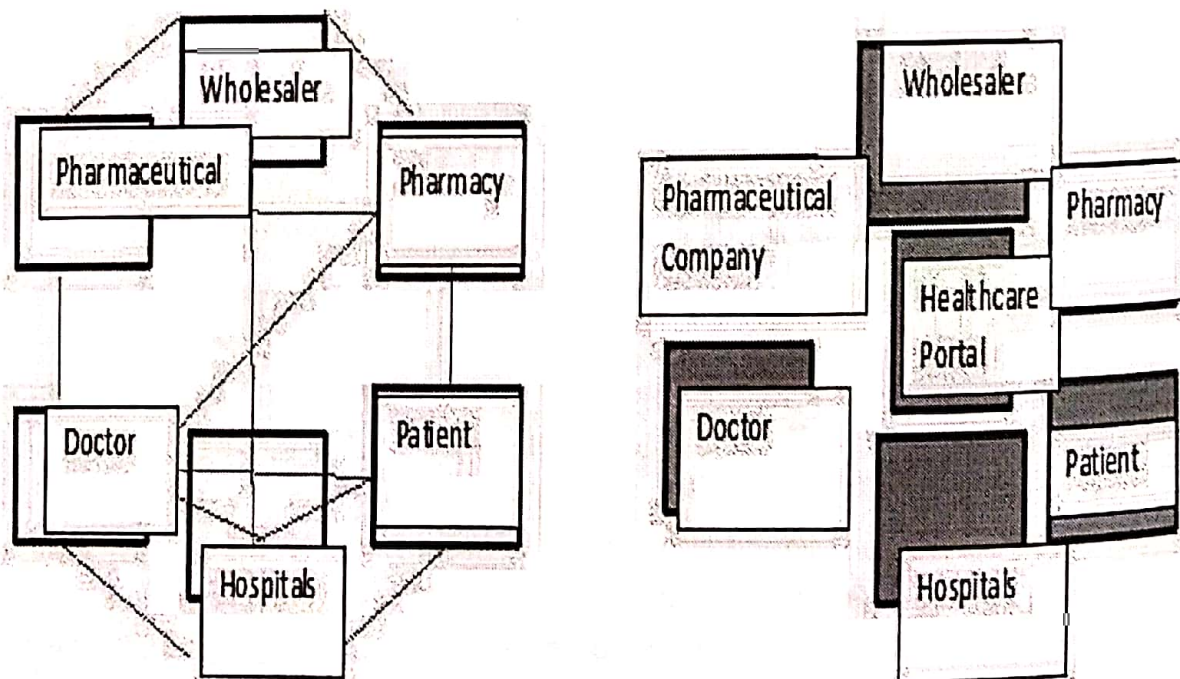
Keywords: CRM, pharmacy, FMCG, e-CRM, Health care industry.

Introduction

Nowadays every businessman is using different strategy to cover large area of market to get high market share. In this era customer relationship management strategy is playing a vital role in business. Customer relationship management has to be an integrated company effort and be implemented throughout the entire company in order to be successful. Customer relationship management enables companies to develop long-term relationships with customers that will

lead to increased profits and business performance. Each employee in the company must be aware of the need and importance of CRM. Pharmaceutical industry is struggling for developing and maintaining the relation with the customers for that, sales representatives are trying to develop relation with all the stakeholders viz. Doctor, Stockist and Retailers i.e. Chemist. The ultimate consumer of pharmaceutical product is patient.

Pharmaceutical companies rely on sales/medical representatives to deliver marketing messages to doctors. Hence, priorities of doctors' visits for pharmaceutical representatives are set as: "doctors' call plan". These representatives often do not enlist into the call plan, those doctors who do not prescribe their products, and devote extra time and effort on doctors who are most responsive to their products. If armed with the right information, a representative can call on doctors according to their likelihood of responding to specific brands, and can carry out detailing and sampling of specific brands, resulting in higher customer profitability. While discussing on implementation of CRM strategy, one should seek to distinguish Pharma marketing from the mass marketing practices adopted by the FMCG sector.

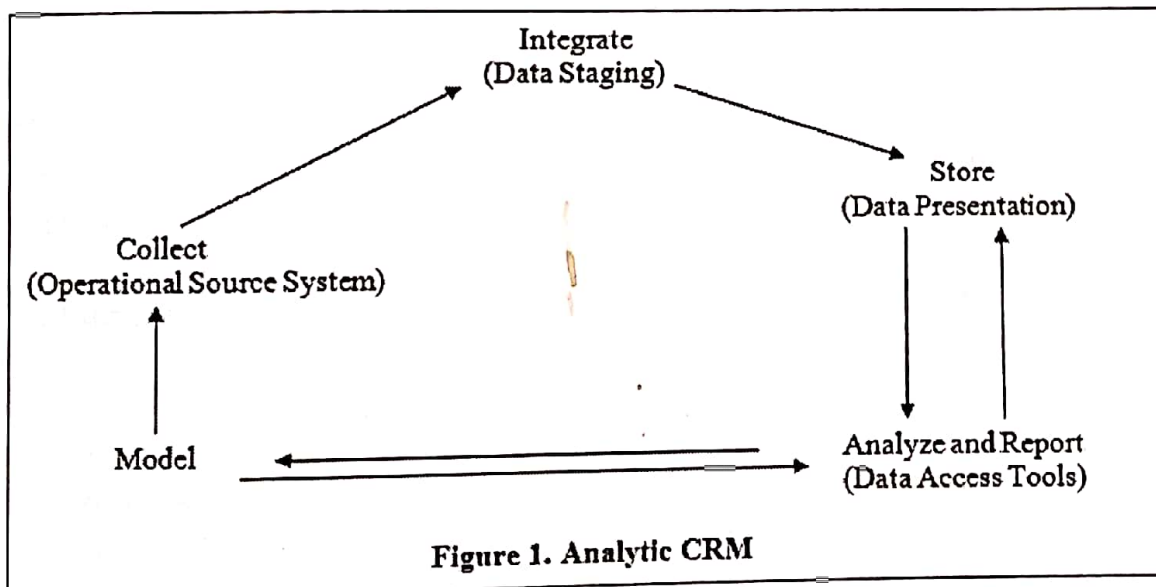


Pharmaceutical and Healthcare Paradigm Shift

The goal of Customer Relationship Management (CRM) is to know the

customer better than anyone else, whether the customer is a person or business, with the end goal to maximize the business relationship with the customer. Information is one of the most important assets for any company. Information about a company's internal and external partners is vital to the success of the company. As such, the data warehouse is the foundational or starting point because it serves as a repository whereby all information that is gathered on customers is simply dumped, stored, or maintained where it can be later retrieved for future use.

The data warehouse supports a complete view of the customers, including customer data, transactional, interaction, and behavioral data. As a result, customer data can be used to take advantage of future sales opportunities with customers [1]. In the case of the pharmaceutical industry where patients utilize personal health care portals such as Web MD, transaction records show that individuals can obtain useful information on therapies, providers in their area, and support groups relevant to their inquiry.



As depicted in the above conceptual drawing, as the company grows and becomes customer (patient) centric, the data warehouse (foundational) also will grow due to increased information about customers. Further the CRM application that interacts with the data warehouse is referred to as customer data repositories or (CDR) because of the need to provide lower level, granular customer transaction data [1]. As the number of users with limited to no knowledge of specific search domains for health related information

increases, the opportunity for more unsuccessful outcomes will increase. A key solution is to make available.

CRM in the pharmaceutical industry: Review of Literature

Foundation of CRM in the pharmaceutical industry is based on the prescriber (viz: doctor) and sales force relationship. Pharmaceutical firms spend a large amount of money on marketing communication directed towards physicians. For example, the industry spent \$ 8.5 billion on marketing communication directed at physicians in the year 2000[2]. Most of this is spent on detailing, which involves personal sales call made by salespersons of the pharmaceutical firm on physicians. Since detailing is a personal interaction between a physician and the firm's representatives, it is allocated at the individual physician level.

Pharma marketers need to decide how many calls to make to each individual physician and when to make these calls. Product sampling also influences the physician's decisions, leading to their writing long-term prescriptions for treatment of patients. Narayanan, Manchanda and Chintagunta (2005) have argued that firms' marketing efforts may actually have both an informative role (e.g. reducing cognitive uncertainty) and a persuasive role (e.g. inducing positive affect)[3]. The most useful research is probably the sparse literature in medicine that examines the motives physicians have when dispensing free samples to their patients. Motives that have been cited are: (1) financial savings; (2) convenience; (3) immediate initiation of therapy; (4) demonstrating appropriate use of drugs; (5) adjustment of doses; (6) evaluating effectiveness or adverse effects of drugs [4].

Studies have revealed that detailing has a positive and significant effect on doctors' prescription of specific brand of drugs [5]. Other studies find that there is a very modest effect or no effect at all of detailing on brand prescriptions or sales [6]. Research findings also pointed that the reasons for these incongruent results are due to the effect of marketing expenditures across brands [2]. Brands may in fact differ in the extent to which physicians are responsive to marketing expenditures a firm makes to promote them through detailing, meetings or other promotional instruments. Though marketing efforts by pharmaceutical companies have positively affected the physicians' prescriptions, diminishing returns to detailing are also reported.

Manchanda, Rossi and Chintagunta (2004) find that detailing positively affects prescription behavior, but that high-volume physicians, while being detailed more, are less responsive to detailing, as compared to low-volume physicians [7].

When the firm promotes a more effective drug, as compared to a less effective drug, its ability to lower physician uncertainty about the drug and increase physicians' affect toward the drug is higher, as there will be stronger scientific evidence to back up the marketing effort [8]. Narayanan et. al (2005) also argue that a physician may financially subsidize low income or low-coverage patients through sample-dispensing, in which case a drug prescription usually comes with a free sample adding misery to low volume returns on investments[3].

CRM and Market Competition

In a stiff competitive market reeling under global recession, companies must work smarter while maintaining the same level of resource. As a result, pharmaceutical companies are gradually realizing that they can no longer afford to be only product or market focused. Hence they have to focus now on customer relationship management (CRM) and gain a complete understanding of their current and potential customers. Companies, which implement CRM, not only increase the efficiency of their sales and marketing efforts, but also enhance their customers' experience and loyalty towards the pharmaceutical company. Pharmaceutical companies in India, to give a sustainable competitive edge are also going to meet some additional challenges including: (i) Patients influencing doctors' prescriptions; (ii) Cost-effectiveness of the brand of drugs; (iii) Guarding against unethical dispensing of medicines at chemists level which bypass the physician's decision on specific brand of drugs(the whole purpose of it).

Critical decisions concerning strategy and resource allocation necessitate a detailed and accurate understanding of customers and overall market. By using successful sales and service strategies, a pharmaceutical company could maximize customer profitability, improve marketing campaign effectiveness, and optimize multi-channel interactions with customers, resulting in higher revenues and a competitive advantage. When a customer has a good (or bad) experience with a company, and decides on the basis of that experience to give

more future business to it (or less), the firm has gained (or lost) value at that very instant, with the customer's change of mind [9]. Balancing between such extremes in order to maximize overall value creation is not a new or revolutionary idea. Blattberg and Deighton (1996) suggested "the customer equity test" to balance marketing expenditures between customer acquisition and customer retention efforts [10].

CRM and Profitability in the Pharmaceutical Industry

The road to profitability for pharmaceutical companies has been changing. Never before has the industry faced so many challenges at once. Harder-to-find blockbuster molecules, expiring patents on moneymaking drugs, pricing pressure from all players, and competition from new drugs, me-too drugs and generics are all threatening industry profitability. In addition, issues such as strict industry and government regulations, Drug Price Control Order (DPCO), increasing media and public scrutiny coupled with prescribing decision-makers who have less time to spend with the sales force require more resources from companies just to maintain status quo. The pharmaceutical landscape has become more volatile and unpredictable. Research and development costs are soaring, and the purchasing power vested with few customers coupled with stringent regulations have made the promotion of pharmaceutical products more challenging. Today, the pharma industries are forced to control spending on doctors' calls in their efforts to drive profits. There is a higher demand for pharmaceutical marketers to deliver bigger profits from increasingly smaller promotional budgets. These are a few critical decision areas, which, if addressed appropriately, can help deliver better ROI.

Therefore, many leading pharmaceutical companies are now looking for a thorough access to customers' data, which could enable them to improve the segmentation, targeting and positioning of specific brands. This process involves: i) identifying the key metrics and analytics needed to track trends in prescribing behaviour; ii) designing, creating, implementing and executing marketing strategies that effectively measures ROI of core products; iii) measuring customer satisfaction; iv) assessing the validity of ROI analysis, as compared to the competitors; and finally, v) using all the above information to determine the best allocation of promotional resources to identify the most appropriate segments to target for promotional investment optimization, accountability and effectiveness.

Pharmaceutical marketers are asked today to deliver bigger profit margins from diminishing marketing budgets and to demonstrate accountability when making promotional investments. With a better understanding of ROI analysis, pharmaceutical companies can develop and implement more effective marketing communications, and thus enhance profitability. ROI will shape the future of a new commercial model for pharmaceutical companies and prepare product strategies for this shift in focus in order to understand how to utilize and map the potential lifecycle of a product. Plan for strategic initiatives like up gradation of drugs formulation, and key individual roles can only shape the direction of any brand of pharmaceutical product.

Towards a New CRM Approach in the Pharmaceutical Industry

Above all other factors influencing effectiveness of CRM programs in the pharmaceutical sector are the challenges encountered by the advancements in information technology. CRM endeavors are now aimed at reducing communication-gap between the company and the customer, which could enable the company to estimate the value of its customers. Many pharmaceutical companies now have sophisticated customer databases that are focused on how customers are treated, how they are dealt with and, ultimately, how they are oriented towards a product. The estimates of customer value are usually based on projecting forward recent purchasing patterns of the adjacent monitored chemists. Thus companies may be able to tell how much profit the firm makes on each sale call to a customer; getting closer to an estimate of customer profitability and customer potentiality for a particular product. Finally, the present study seeks to reveal the following with regards to a new strategy for CRM in the pharmaceutical industry:

A. Meeting the New Challenges

The above trend in customer relationship in the pharmaceutical sector, therefore, necessitates the implementation of the following four challenging steps [11], as a part of its CRM strategy, to retain its customer profitability, such as:

1) Develop Precision Marketing

Precision marketing means increasing the productivity of the sales force through improved understanding of the complete prescribing value chain. This requires in-depth knowledge of the motivations and attitudes of prescribers,

and consideration of all of the influencing forces that act upon them. Identification of the influencers, the span of influence achieved by each group, and the strength of each influencer on the ultimate prescriber is also required.

2) Determine New Sales Strategy

As pharma marketers seek to understand the prescribers and influencers of their products, they have started experimenting with new sales strategies in order to gain in-depth market knowledge. Many pharmaceutical companies are today switching over from old-style mass call coverage strategy based on large sales teams, to that of small focused teams call coverage which could provide more information on prescribers (specialty divisions). This approach is complemented by a key account management approach, whereby the role of the pharmaceutical representative has expanded to include local account strategy, team selling, focused expertise, training, coaching and mentoring activities. These approaches allow sales/ medical representatives to build a strong relationship with both their key prescribers and the prescribers' influencers, through better understanding of their needs, and the factors that influence their prescribing decisions.

3) Resize and Restructure Sales Force

Creating a right-sized and correctly structured sales force is a complex process. The pharmaceutical company has to ensure that its targeting is optimized, since there is a need for understanding the influences on prescribing pattern in the market. There is a need to determine an acceptable level of disturbance to existing relationships – and how to realign them. Company could also use local consultants who understand market and prescriber dynamics, and have the in-depth understanding of how best to use local information sources.

4) Managing Process Changes

The internal change management is essential to ensure a smooth transition. The pharmaceutical company should initiate a programme to ensure that the types and severity of changes can be pre-empted and measures can be put in place to handle the prescribers' influencing pattern. While some companies rely on their own sales forces to build valuable relationship with key influencers and prescribers, others augment their sales organizations with

focused teams. In addition mirrored sales forces (e.g. multiple reps calling on the same doctors to promote the same brands) have been reduced – or even removed. On the whole, over the last ten years pharma companies have been growing the number of details they perform by around 10% per annum. At the same time, pharmaceutical sales revenue has declined from double digits to around 7-8% – meaning a reduction in ROI. Consequently, almost all large pharmacy companies acknowledge that their sales forces are over-staffed.

B. Call Value Targeting

Pharmaceutical companies have to adopt “call value targeting”, which looks at each doctor as an individual market and each potential sales call as a unique investment opportunity with a definable value [12]. It seeks to overcome the flawed assumption in market segmentation that all doctors chosen in a segment carry same weightage. In order to determine whether the call value targeting accurately accounts for the impact of detailing and sampling, the doctor-level forecasts need a placebo for comparison. To create the placebo, a doctor's prescribing pattern during a specific period should remain unchanged. It is important to note that simple calculation forecasted prescriptions with actual prescriptions could exhibit high correlation, even when account for details and samples offered to a doctor are not available.

Let us consider an example: a doctor after prescribing a drug for over 30 years has requested a pharma company for sponsorship to attend an International Conference, so that he would participate in a panel discussion on drugs administration. These drugs might be produced by the pharma company to which the doctor has requested for sponsorship, since he has been regularly prescribing them. On the face of the issue, attendance of a doctor in such a conference might not seem to carry any value for the company. However, a number of critical points that relate to the knowledge of the drug quality and marketing strategy could emerge through such sponsorship extended to the doctor. The sponsorship may induce the doctor to be an integral part of the company's promotion strategy, and would motivate him to enhance prescriptions. On the other hand, due to lack of proper information about the doctor's potential, the company may not sponsor him for the event, thus creating all manner of negative effects.

Though call value targeting embodies important clues from mass marketers,

their thumb rules vary. The mass marketers devote considerable time and effort to test the right product by using the best possible methods in order to find the right customer segment through test marketing. A company engaged in promoting reputed FMCG brands might take a year or two to experiment with the promotional strategy before finally implementing a strategy. While choosing the market segment, the reliance is more on secondary data concerning the consumption pattern of FMCG products. However, the same rule cannot be applicable for promoting pharmaceutical products, which exhibit an incremental enhancement through doctors' prescriptions.

Call value targeting addresses a subtle flaw in the way mass-market segments are typically constructed. Doctors are usually targeted by pharma companies based on their rate of past prescriptions. Each doctor is accordingly assigned a call frequency such as: doctors identified as heavier prescription targets receive more calls than lighter ones. Past prescribing habit serves as a good predictor of total prescriptions written by a doctor, and could indicate how many scripts a doctor will write in future, in response to detailing and sampling. The call value targeting seeks for individual call opportunities (which happen to be attached to individual doctors) based on their expected value. Call value targeting can be conveniently used by the pharmaceutical sales representatives to target their market segments, as there are no judgment calls about which doctor to see next outside the call plan list. Call value targeting would work effectively only when the doctor-level experiences yield incremental prescriptions. If such experiences don't work, it might meddle with the sales plan, resulting in negative outcomes. However, it could be suggested that most companies could enhance their business by adopting this method of marketing after a thorough market research on potential customers and their real time output.

Conclusion

Despite having so much of vital information about individual doctors, it seems strange that most pharmaceutical marketers still continue to behave as if they are selling FMCG products in the mass market. Thus, there is a need for pharmacy marketers to collect and use right operational data about the customers. Doctor-level prescribing data analysis makes it possible to take this data and quantify each doctor's unique responsiveness to details and samples for a brand.

Within the pharmaceutical industry, segmentation results in valuable sales calls by going to doctors who are even unlikely to write more prescriptions. Although this could mean going off plan on the part of the sales representative, it could help the pharmaceutical company to a great deal in terms of enhancing customer value and profitability in the long run. For example, an average doctor who is identified by the representative as high-responsive towards detailing and prescribes more quantity of drugs as per the call plan might be skipped out from the target segment identified by the company.

There is a need for diffusion of innovation in the pharmaceutical market in order to gain compelling, practical and exclusive insights into promotion of their products through effective segmentation and CRM based on doctors' database concerning incremental return of prescriptions. This would enable the pharma marketers to understand and optimize product launches, defend brand strategies, manage product lifecycles and enhance relationship with core customers, besides ensuring that the core customers are beyond the reach of their competitors. Implementation of segmentation and targeting of core customers could empower the pharma companies, only when such information leads to vital clues concerning cost management imperatives, ROI, and increased efficiency.

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