

Impact of Marketing Mix Elements on Consumers’ Preference for OTC Products in India

Sonali Sharma^{1*}, Mrs. Rakhi Ahuja²

Delhi Pharmaceutical Sciences and Research University, Pushp Vihar, Sector 3, New Delhi 110017, India

DOI: [10.21276/sajp.2019.8.8.3](https://doi.org/10.21276/sajp.2019.8.8.3)

| Received: 15.06.2019 | Accepted: 26.06.2019 | Published: 23.08.2019

*Corresponding author: Sonali Sharma

Abstract Review Article

India is one of the emerging markets for OTC drugs and offers significant growth potential for the industry. OTC Drugs’ means drugs legally allowed to be sold ‘Over the Counter’, i.e. without the prescription of a Registered Medical Practitioner. The Indian OTC drug market is poised for a tremendous growth in recent times. Changing consumer perception towards OTC drugs, changed the outlook of OTC drugs as a FMCG product, increasing investments on media promotion for OTC drugs, wider distribution and market reach including rural pockets have significantly contributed to this status of the products. However, there is a need for further strategies in place to offer the much needed makeover for OTC drugs in India. OTC drug market is much considered by every marketer due to its growth prospects and consumption aspects. The purpose of this paper is to identify various marketing mix elements that can influence the customer preference in purchasing OTC product.

Keywords: Over-The-Counter (OTC) Medicine; Pharmaceutical Marketing; Consumer Perception; Consumer Purchase Behaviour.

Copyright @ 2019: This is an open-access article distributed under the terms of the Creative Commons Attribution license which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use (NonCommercial, or CC-BY-NC) provided the original author and source are credited.

INTRODUCTION

India is one of the emerging markets for OTC drugs and offers significant growth potential for the industry. The market is growing in India due to the increasing healthcare expenditure, unhealthy dietary habits, expanding population, and growing healthcare awareness [3].

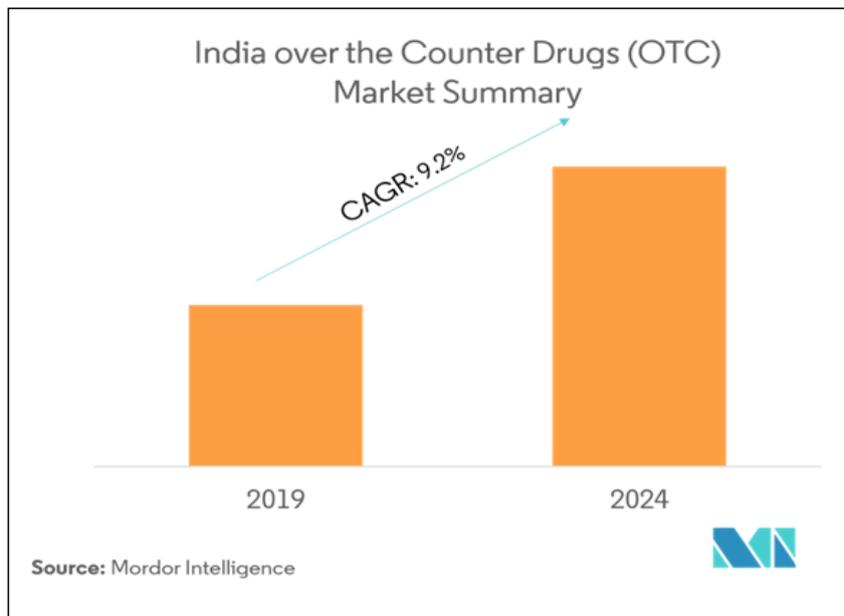
Over the counter business includes products in categories such as analgesics, antipyretics, cough, cold and allergy, dermatological, gastrointestinal and lifestyle OTCs such as vitamins, minerals and nutritional supplements and dental products.



Source: Mordor Intelligence

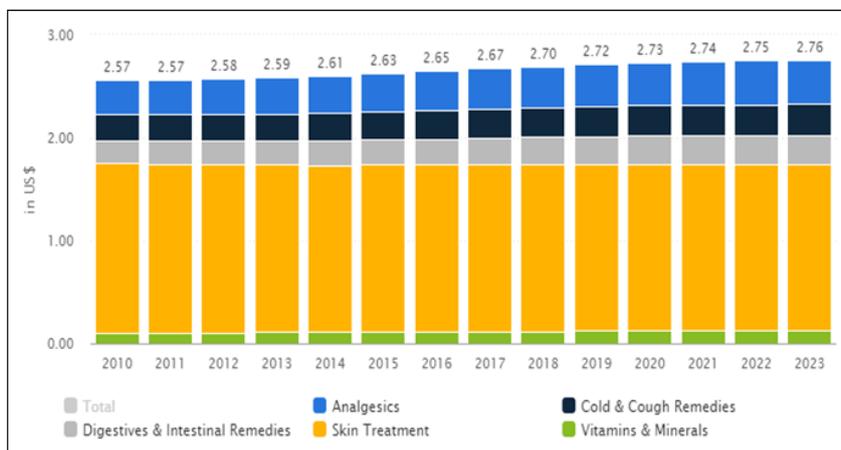
The key factors propelling the growth of the Indian over-the-counter drugs market are the shift in consumer attitude toward self-medication, product innovations, and inclination of pharmaceutical companies toward OTC drugs from RX drugs.

According to Indian Brand Equity Foundation (IBEF) report of march 2019 , 70 % of market share (in terms of revenues), generic drugs form the largest segment of the Indian pharmaceutical sector followed by Over the Counter (OTC) medicines with 21% and remaining 9% with patented formulations[2].



The India OTC market was valued at USD 4611.88 million in 2018, and it is expected to reach USD 10229.99 million by 2024, with an anticipated

CAGR of 14.20% during the forecast period, 2019-2024. The average revenue per person in the market for OTC Pharmaceuticals amounts to US\$2.72 in 2019.



Source: Mordor Intelligence

MARKETING MIX

The marketing mix is the set of actions, or strategies, that a company adopts to promote its brand

or product in the market. Majorly comprising 4Ps - Price, Product, Promotion and Place [1].

currently not advertised to the public under a voluntary commitment by the pharmaceutical industry.

Non Prescription Drugs: These are medicines, which can be bought at a pharmacy without the prescription of a doctor, at the pharmacist's advice. These are also known as over-the-counter (OTC) medicines. 'OTC Drugs' means drugs legally allowed to be sold 'Over the Counter', i.e. without the prescription of a Registered Medical Practitioner. In

India, though the phrase has no legal recognition, all the drugs that are not included in the list of 'prescription only drugs' are considered as non-prescription drugs (or OTC drugs)[6].

PRICE

The price of the product is basically the amount that a customer pays for to enjoy it. Price is a very important component.



Source: Google images

It is also a very important component of a marketing plan as it determines your firm's profit and survival. Adjusting the price of the product has a big impact on the entire marketing strategy as well as greatly affecting the sales and demand of the product.

Pricing always help shape the perception of your product in consumers eyes. Always remember that a low price usually means an inferior good in the consumer's eyes as they compare your good to a competitor.

Consequently, prices too high will make the costs outweigh the benefits in customer's eyes, and they will therefore value their money over your product. Be sure to examine competitors pricing and price accordingly.

When setting the product price, marketers should consider the perceived value that the product offers. There are three major pricing strategies, and these are:

- Market penetration pricing
- Market skimming pricing
- Neutral pricing [4]

The factors usually taken into account while determining the price of a product can be broadly described as follows:

(a) Cost: No business can survive unless it covers its cost of production and distribution. In large

number of products, the retail prices are determined by adding a reasonable profit margin to the cost. Higher the cost, higher is likely to be the price, lower the cost lower the price.

(b) Demand: Demand also affects the price in a big way. When there is limited supply of a product and the demand is high, people buy even if high prices are charged by the producer. But how high the price would be is dependent upon prospective buyers' capacity and willingness to pay and their preference for the product. In this context, price elasticity, i.e. responsiveness of demand to changes in price should also be kept in view.

(c) Competition: The price charged by the competitor for similar product is an important determinant of price. A marketer would not like to charge a price higher than the competitor for fear of losing customers. Also, he may avoid charging a price lower than the competitor. Because it may result in price war which we have recently seen in the case of soft drinks, washing powder, mobile phone etc.

(d) Marketing Objectives: A firm may have different marketing objectives such as maximisation of profit, maximisation of sales, bigger market share, survival in the market and so on. The prices have to be determined accordingly. For example, if the objective is to maximise sales or have a bigger market share, a low price will be fixed. Recently one brand of washing

powder slashed its prices to half, to grab a bigger share of the market.

(e) Government Regulation: Prices of some essential products are regulated by the government under the Essential Commodities Act. For example, prior to liberalisation of the economy, cement and steel prices were decided by the government. Hence, it is essential that the existing statutory limits, if any, are also kept in view while determining the prices of products by the producers [5].

Price controls are carried out on certain drugs by virtue of the Drugs (Prices Control) Order 1995 (DPCO), in the framework of the Essential Commodities Act (ECA). The DPCO is the responsibility of the Ministry of Chemicals and Fertilisers²¹ and is supervised by the National Pharmaceutical Pricing Authority (NPPA). It outlines the classification of price controlled products and methods of price fixation and revision. The NPPA monitors drug prices by fixing and revising them. The

347 price-controlled drugs under the Drugs (Prices Control) Order 1979 were brought down to 143 in the Drugs (Prices Control) Order 1987. Under the DPCO-1995, there are 74 bulk drugs and their formulations under price control covering around 40% of the total pharmaceutical market in India. Only a few OTC actives, e.g. acetylsalicylic acid and ephedrine and its salts, fall under the current DPCO price control.

The stockist / wholesale and retail margins on medicinal products are fixed by an agreement of Industry Associations including OPPI and the All India Organisation of Chemists & Druggists (AIOCD) whereby a 10% margin on the Maximum Retail Price (MRP exclusive of all taxes & duties) is provided for the stockist/wholesaler and 20% for retailers for non-price-controlled drug products. For price controlled products 16% margin for Retailers is mandated by the DPCO. Generally, Stockists retain between 5-6% of margin while passing on the balance 3-4% margin to wholesaler or bulk retail buyer.

PLACE



Industry, market and customer trends are creating both challenges and opportunities for increasing business and profitability and for making more and more profits in competitive and trendy pharmaceutical industry, companies are deploying a plethora of marketing and distribution strategies to target the different customer segments. The downstream Supply Chain of pharmaceutical products is unique. Not only in India but over the globe medicines and healthcare facilities are generally distributed and sold by the non-user customers of the drugs and pharmaceutical products, reputedly known in society as Doctor/s. This is doctor/s mostly who prescribe the pharmaceutical product/s to the real-user customer

poorly known in society as Patient (ill person) or friends/ relatives of the patient.

In the pharmaceutical and healthcare industries, a complex web of decision-makers determines the nature of the transaction (prescription) for which direct customer of pharmaceutical industry (doctor) is responsible. Essentially, the end-user (patient) consumes a product and pays the cost. Which drug to transact, from where to transact, in what quantity to buy etc. etc. all are directed by the doctor which is consumed by the patient and pays the cost.

Doctors play the direct role in transaction of drugs through prescriptions so are the Direct customers of the pharmaceutical companies while patients play indirectly although they pay the price essentially, are indirect customers of the pharmaceutical companies. Pharmaceutical companies use the sales force of Medical Representatives (sophisticated designed in hierarchy) for marketing products to doctors and to exert some influence over others in the hierarchy of decision makers (for procurement, buying, prescribing) has been a time-tested tradition. It is also a fact that Indian consumers confidently self-treat a wide range of common ailments such as cough, cold, fever, pain & sprains, heartburn, indigestion and diarrhoea. With a strong heritage of Ayurveda and alternative medicines, the usage of home remedies is quite high in Indian households. In fact, more than 30% of the time Indian consumers use home remedies.

Generally two types of diseases, Chronic and Acute, ask the pharmaceutical players to adopt different types of model of supply chain or distribution for the sales of the products. While most of the top Indian companies have focused on antibiotics and anti-infectives (acute), many companies operate in niche formulations (chronic) segments such as psychiatry, cardiovascular, gastroenterology and neurology. The level of competition is very high in Acute segment on day to day basis however the degree of competition is not as much as high in Chronic therapy area on day to day basis. As doctor has to prescribe drug for a long time in chronic cases and patient is supposed to consume it without any change of brand. While in acute cases doctor is changing brands on day to day basis.

Cold chain management in pharmaceuticals is important to ensure that the right quality is maintained

during storage and transportation, and also to meet the regulatory commitments. Regulatory guidelines and standards around the world focus on the right storage and transportation, and adhering to these standards is important.

The manufacturer has to ensure the availability of his goods to the consumers at convenient points for their purchase. He may do so directly or, as stated earlier, through a chain of middlemen like distributors, wholesalers and retailers. A channel of distribution thus, refers to the pathway used by the manufacturer for transfer of the ownership of goods and its physical transfer to the consumers and the user/buyers (industrial buyers).

There are many distribution strategies, including

- Intensive distribution
- Exclusive distribution
- Selective distribution
- Franchising [2]

PROMOTION

Promotion refers to the process of informing and persuading the consumers to buy certain product. By using this process, the marketers convey persuasive message and information to its potential customers.

The main objective of promotion is to seek buyers' attention towards the product with a view to:

- arouse his interest in the product
- inform him about its availability; and
- Inform him as to how is it different from others.

It is thus a persuasive communication and also serves as a reminder.



A firm uses different tools for its promotional activities which are as follows:

- Advertising
- Publicity
- Personal selling
- Sales promotion [5]

The World Health Organization defines drug promotion as including: “all informational and persuasive activities by manufacturers and distributors, the effect of which is to induce the prescription, supply, purchase and/or use of medicinal drugs [9].”

The table below provides an overview of the key promotion methods used to target doctors:

Type	Examples
Pharmaceutical Advertisements	<ul style="list-style-type: none"> • Brochures • Sponsored articles • Internet • Sponsored journals subscription or textbooks
Personal Selling	<ul style="list-style-type: none"> • Visits by medical representatives • Sponsored events with “key opinion leaders” in the field. Most of the time, these company sponsored guest speakers use presentation slides provided by the company for their talk.
Trade promotion	<ul style="list-style-type: none"> • Gifts • Gimmicks and incentive schemes based on number of prescriptions • Product samples
Sponsorship	<p>Academic activities</p> <ul style="list-style-type: none"> • Symposiums • Exhibition booths • Registration fees • Tutoring sessions • Journal clubs • Free textbooks and journal subscriptions <p>Non-academic activities</p> <ul style="list-style-type: none"> • Entertainment • Excursions • Travelling expenses • Meals • Family-related activities
	<ul style="list-style-type: none"> • Donations or support for facilities used in offices i.e. fax machine, printer, furniture, etc. • CASH

The aim of drug promotion is to persuade people to buy more drugs and/or to pay higher prices. This is done by increasing the perceived value of the drug via one or more of several approaches including:

- Increasing the perceived frequency and/or severity of the indications.
- Widening the indications to include more people.
- Increasing the perceived likelihood and magnitude of benefits.
- Decreasing the perceived likelihood and magnitude of harms.
- Increasing the use of the drug for longer durations [6].

CONCLUSION

With the advent of fast technology and scientific advancement life become stressful due to changes takes place in daily lifestyle, less physical work, changing in food habit, work load stress on the body which get expressed in the form of mental and physical disorders like frequent headache, constipation, allergy, common cold, backache, acidity, and fatigue etc. which people are trying to manage with the use of

Over the Counter (OTC) medicines. Self-medication using OTC medicines represent the growing movement toward medical self-care and hence Pharmaceutical companies need to focus on their marketing and strategic planning segment. The pharmaceutical companies plan marketing strategies through which they deliver the value to the customer. There are various factors affecting the consumer preference towards a specific OTC brand which pharmaceutical marketers need to identify. Major parameters that should be taken under consideration while designing promotional strategies are Product, Place, Price and Promotion. So designed marketing strategy would allow pharmaceutical business units to attain its marketing objectives.

REFERENCES

1. Definition of Marketing Mix | what is Marketing Mix? Marketing Mix Meaning available at: <https://economictimes.indiatimes.com/definition/marketing-mix>

2. Ibef.org. 30 May 2019 Available from: <https://www.ibef.org/download/Pharmaceuticals-Report-September-2018.pdf>
3. India over the Counter Drugs (OTC) Market | Growth, Trends, and Forecast (2019-2024) available from <https://www.mordorintelligence.com/industry-reports/india-otc-drugs-market>
4. Marketing Mix Definition - 4Ps & 7Ps of the Marketing Mix Available from <https://marketingmix.co.uk/>
5. Download.nos.org. 30 May 2019 Available from: <http://download.nos.org/srsec319new/319EL20.pdf>
6. Prajapati KB, Patel M. A study on consumer's buying behavior towards OTC products of the pharmaceutical industry. *Int J Manag Res.* 2013 Jul;3(2):205-17.
7. Dadhich A, Dixit K. Consumer Selection and Buying Behaviour Towards Over the Counter (OTC) Medicine in Jaipur City. *Apeejay-Journal of Management Sciences and Technology.* 2017.
8. Kumar P, Sharan S. Marketing Mix of Pharmaceutical Industry in India: An Exploration. 2013.
9. Indumathi N, Dawood D. Impact of Marketing mix on consumer buying behavior in Organic Product. *International Journal of Research in Finance and Marketing.* 2016;6(10):43-54.
10. Bennadi D. Self-medication: A current challenge. *Journal of basic and clinical pharmacy.* 2013 Dec;5(1):19.
11. Chandra U. Opportunities and Challenges of Indian Pharmaceutical Sector: An overview. *International Journal of Scientific Research and Management.* 2016 Jun 16;4(6).
12. Khan Y, Gupta P, Goswami D, Bihari B, Verma VK. A Review on Marketing of OTC Drugs. *Asian Journal of Research in Pharmaceutical Science.* 2013;3(2):72-8.