

UNIT-IV

PART - I

PHARMACEUTICAL MARKETING CHANNELS

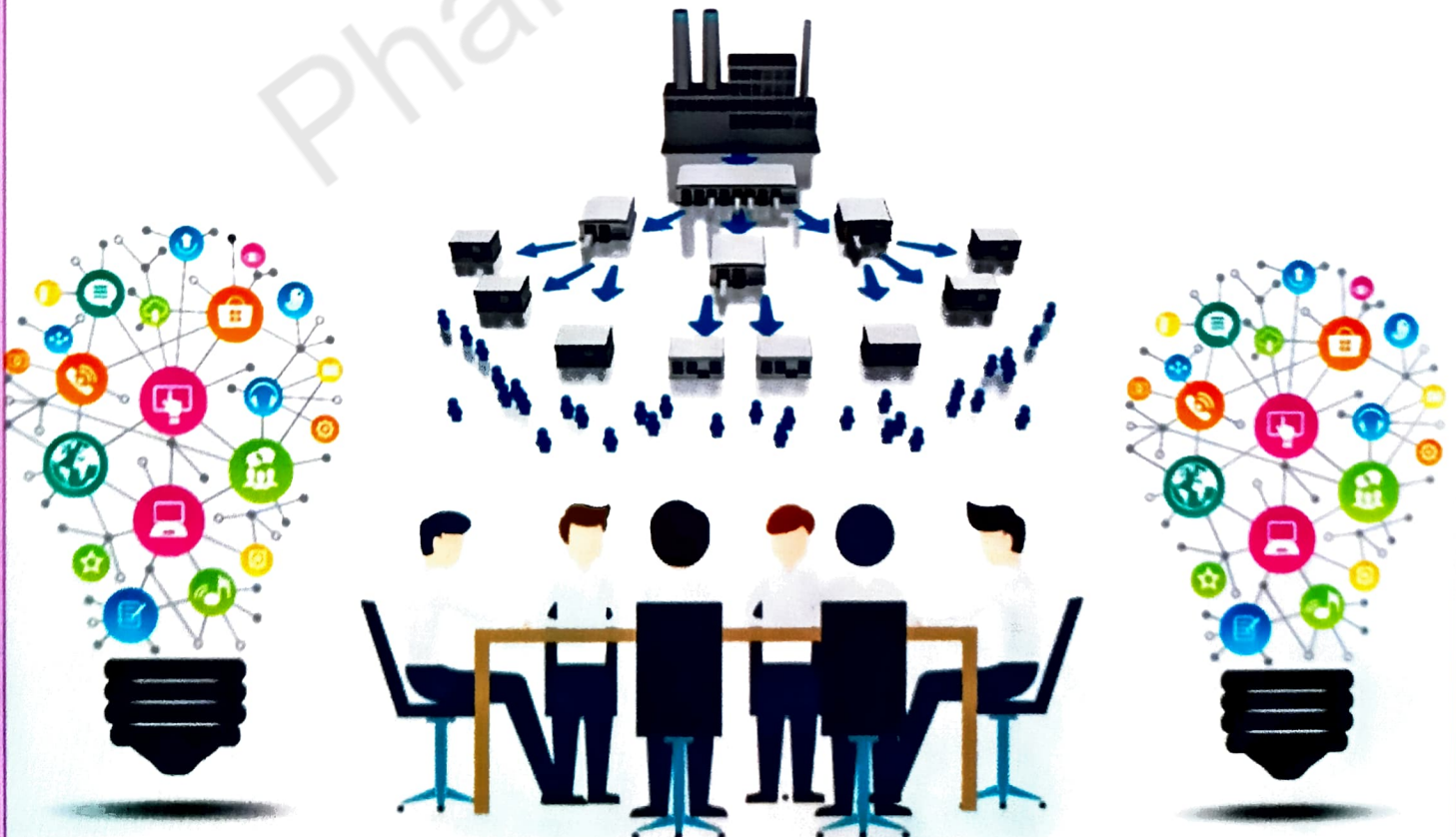
Contents to be covered in this topic

DESIGNING CHANNEL AND CHANNEL MEMBERS

SELECTING THE APPROPRIATE CHANNEL

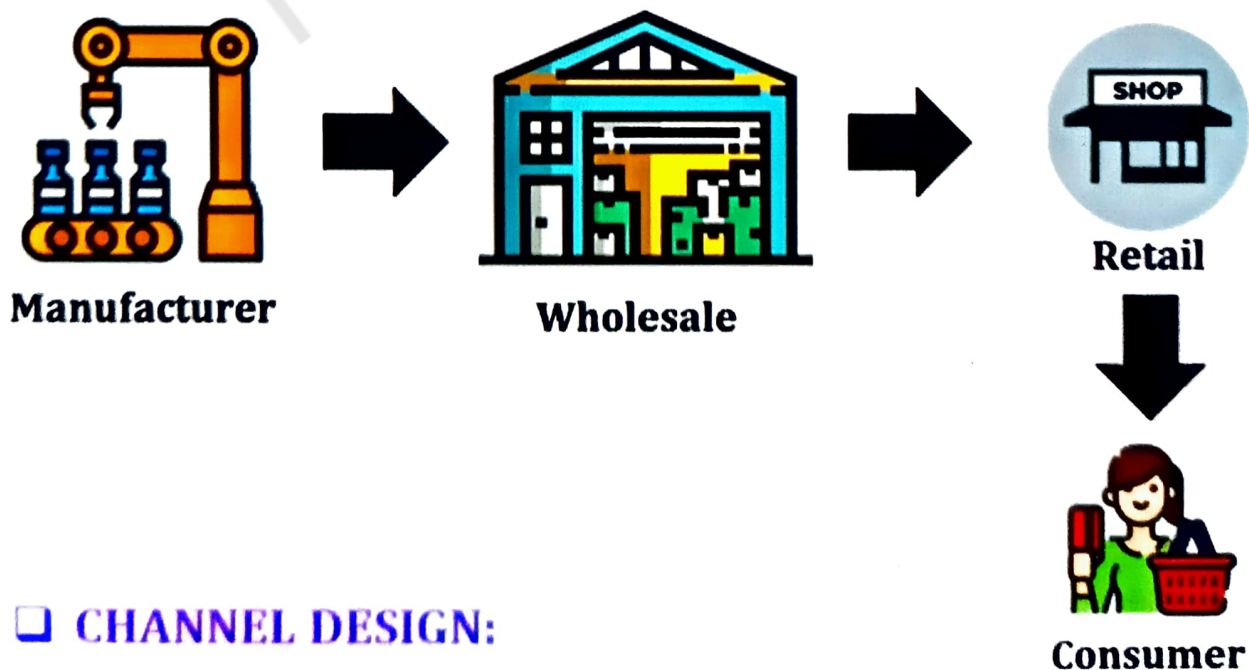
CONFLICT IN CHANNELS

PHYSICAL DISTRIBUTION MANAGEMENT



❖ DESIGNING CHANNEL AND CHANNEL MEMBERS

- Marketing channels can be divided in **three categories** to reach a target market.
- In marketing, channels communicate i.e. convey and collect messages from **buyers of interest with media aids such as newspapers, radio, television, mail, telephone, magazines, flyers and posters**, etc. Companies also connect using internet services i.e. **email, websites, text messages, blogs and URLs to accustomed soliloquy like ads.**
- **Functions of distribution channels include**
 1. To facilitate display, sell, and
 2. To provide the product or service to target buyers or users
- Means of contact in the channels may be direct such as the **internet, mail, or mobile phone or telephone** or indirect through **distributors, wholesalers, and retailers.**
- Apart from these channels, **service channels are also employed** by marketers to bring proper connect with prospective buyers.
- These service channels include **warehouses, transportation companies, banks, and insurance companies.**
- Salesperson need to use meticulous mix of **communication, distribution, and service channels.**



❑ CHANNEL DESIGN:

- Characteristics of distribution channels cannot be over emphasized. Without distribution channels, marketing task would have remained incomplete. The following are a few main characteristics of distribution channels:
 - ✓ It requires a **minimum of buyer and a seller**. Besides this, it may include other **middlemen**.
 - ✓ A basic transaction in distribution channel is the **exchange of ownership / title of goods**.
 - ✓ **Middlemen** play a very important role in **transfer of ownership / title of goods**.
 - ✓ Distribution channel creates **transactional efficiency**.
 - ✓ A distribution channel may be **simple or complex**. (Handshake agreement or large contracts).
 - ✓ Distribution channel may be **long or short depending on the company's marketing requirements** as well as the product of the company.
- As mentioned earlier, distribution activity is concerned with placing goods and services when they are needed and where they are wanted.
- So, distribution is referred to one of the four P's. **The vital P is 'place' where your product is needed and wanted**; hence, proper distribution is an essential prerequisite for success of the product.
- The distribution channels may be grouped under two major heads:
 1. Direct selling
 2. Indirect selling

Direct selling: When the manufacturer sells his goods directly to the consumer.



- There is **no intermediary** between them. E.g. marketing of industrial products like heavy machinery and the goods are sold through mail order.

Indirect selling: In this case, there is **one or two middlemen** or intermediaries are involved in between the manufacturer and the consumer.

For example:

Manufacturer → Retailer → Consumer

Manufacturer → Wholesaler → Retailer → Consumer

▪ **Types of Middlemen:**

There are two types of middlemen:

1. Functional middlemen
2. Merchant middlemen

➤ **Functional middlemen:** The functional middlemen are those intermediaries who perform various **marketing functions without having any title to goods**. They help in transfer of goods from the **hands of the producer to those of consumers** without acquiring any ownership rights.

The following middlemen come under this category:

1. Brokers
 2. Commission agents
- **Brokers** - Brokers are people who buy and **sell the products without any kind of ownership**. Their job is to **bring buyers and sellers in contact with each other**, in lieu of this they get a certain percentage of commission on the business transacted through them.
 - **Commission agents:** They sell goods on **behalf of the seller**. They negotiate the sale of goods, **take possession of the goods and make arrangement for the transfer of the title to the goods**. The commission agent has to perform the **functions of warehousing, and sale of the products**. They too get a certain percentage of commission on sales made.
- **Merchant Middlemen:** The middlemen covered under this category are:
1. Wholesalers
 2. Retailers

□ CHANNELS MEMBERS

- When two parties are involved in any transaction or exchange, there has to be a channel, which **requires seller and buyer**.
- Typical channel also include; two types of middlemen **retailers and wholesalers**.
- Marketing or distribution channels are the paths that, **products follow on their way from manufacturer to the consumer**.

Pharmaceutical Distribution Channel:



- **Physician** - In the pharmaceutical trade it is illegal to sell drugs directly to patients. **Doctor's prescription is mandatory** for the patient to purchase and for the retailer to sell the product: in metropolises like; Delhi, Mumbai and even in certain other large cities wholesalers are not granted the retail license. **They are only entitled to a wholesale license to sell pharmaceutical products to retailers**. Doctors, of course, are eligible to keep medicines in their dispensaries.

➤ **Manufacturer** -

- Manufacturers are those engaged in **"the mechanical or chemical transformation of inorganic substances into new products"**.

They can be divided into three classes:

1. **The Biological Product Industry:** This includes the production of **bacterial and viral vaccines, Toxoids and analogous products**. Sera, plasma and other blood derivatives for human and veterinary use.
2. **The Medical and Botanical Industry:** Manufactures **bulk medicinal organic chemicals and their derivatives** and in processing (grading, grinding and milling) bulk botanical drugs and herbs. In India, botanical and herbal drugs are classified as "Ayurvedic drugs".

3. The Pharmaceutical Preparations Industry: This includes the manufacturing or processing drugs into **pharmaceutical preparations for human or veterinary use.**

➤ **The Wholesaler**

- A wholesaler is one, who purchases goods from the **manufacturer for his own account and resells them to other outlets** like; retailers, dispensing doctors, nursing; homes and hospitals, etc.
- Wholesalers are classified into four categories:
 1. Super distributors, super stockist
 2. Stockist or accredited wholesale dealers
 3. Clearing and Forwarding (C&F) agents
 4. Wholesale dealers or sub-stockist

➤ **Retailer**

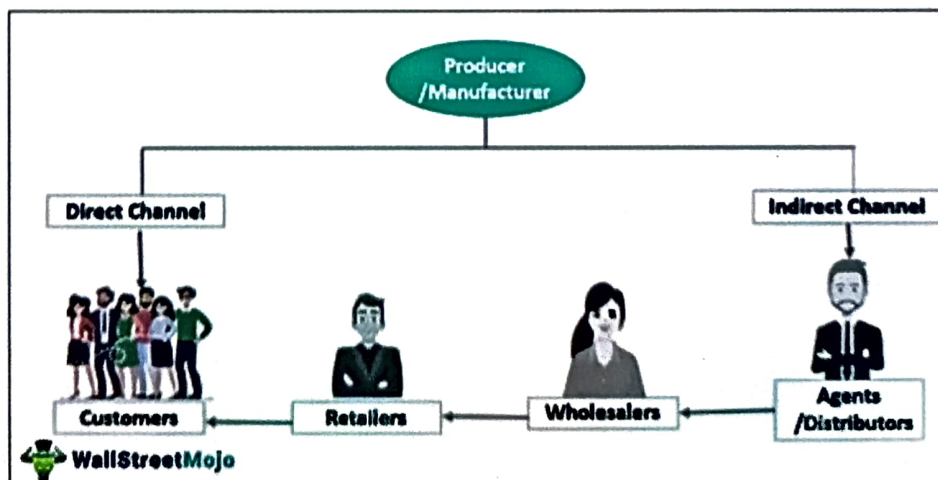
- In a way, a retailer is a **middleman between a wholesaler and actual consumers.** The retailer sells the goods to the consumers and maintains an intimate contact with the wholesalers, manufacturers and consumers.
- The retailer dealer in pharmaceutical trade is known as '**chemist**' or a '**pharmacist**'. He sells the products to the **public for consumption** rather than resale.
- Only a **qualified pharmacist is entitled to dispense.** This category is now becoming extinct. '**Druggist**' means one who merely sells drugs.

Importance of Retailer:

1. It is a retailer who **dispenses the prescription of a medical practitioner** sells medicines to a patient. The availability of a product at the **retail level is of utmost importance.**
2. Second, a retailer is a very important. Retailer also has information regarding the movements of **source of information regarding the prescribing behaviour of the doctors** products of various competitors.
3. Once a retailer is convinced about a company and a product, he can help to **increase the sale of OTC formulations** and also the prescription drugs with OTC profile.

❖ SELECTING THE APPROPRIATE CHANNEL

- A producer identifies suitable seller/intermediaries who can make goods widely available and approachable to target markets through **their contacts, experience, and expertise** for more **effectiveness and efficient selling**.
- This is required as producers may not have **sufficient financial resources and expertise to sell their products or services directly on their own**.
- It makes work easy through the widespread network of **private selling firms**.
- Knowing the **optimal channel with its limitations** to reach each targeted segment, the best possible channel is established.
- The channel manager carries out **gap analysis of channel design for the differences between the optimal and actual channels**. These gaps can be seen on the demand/supply side.
- Gap on the demand side implies that the **channel fails to give proper service output demands** which may be either **undersupplied or oversupplied**.
- On the supply side, gap implies there is **high cost of the service in one of the channels**. This leads to decrease in profit, sales and market share. For gaps in such cases, **different approaches can be implemented to overcome**.
- The gaps indicate that the channels were not designed properly. **It may be hard to resolve and become costly affair to close them**.



❖ CONFLICT IN CHANNELS

- There may be some conflict in channels even if they were formed and controlled well. This occurs when there are different interests of independent channels/channel members that contradict their actions.
- There can be two types of conflicts i.e.
 - (a) **Horizontal channel conflict:** It happens between channel members at the **same level** and
 - (b) **Vertical channel conflict:** It occurs between **different levels** of the same channel.
- Multichannel conflict may exist in case of **two or more channels targeting the same market**. A question comes into mind, what are the causes of channel conflict.
- **There may be various reasons of channel conflict as stated below.**
 - 1) **Goal incompatibility:** The manufacturer may wish to **attain market penetration in lent short-term through a low-price policy**, but the dealers may intend to **gain high margins** in the same time.
 - 2) **Unclear roles and rights** of channel members.
 - 3) **Issues of territory allocations** and sales credentials.
 - 4) **Differences in perception:** If a producer anticipates improved economy and needs dealers to keep **higher inventory**, but its dealers may be **non-active leading to channel conflict from intermediaries that depend on the manufacturer**.

Sometime, channel conflict can be fruitful and result in improved reworking to a varying situation, but excessively is dysfunctional. It is challenging task to manage the conflicts as all conflicts can be ruled out. Different mechanisms can be used to manage conflicts:



- ✓ **Strategic justification:** Allocation of **service to each member** of the channel for a defined segment.
- ✓ **Dual compensation:** **More payment for working channels** for improving sales by creating new channels.
- ✓ **Super ordinate goals:** These are assigned for **mutual benefits of employees.**
- ✓ **Employee exchange:** Sometimes, **exchange of employees** between channel levels helps to overcome conflict.
- ✓ **Joint memberships:** It is done to **promote trade** in groups.
- ✓ **Co-optation:** This is intended for **leaders in advisory councils** and other groups.
- ✓ **Miscellaneous factors:** Diplomacy, mediation, and arbitration and legal recourse.

❖ **PHYSICAL DISTRIBUTION MANAGEMENT**

➤ **Strategic Importance**

- Marketing channels typically are composed of **number of companies**, each focusing on their **desired goals or interests**. Since these goals or interests are competing, **channel members often fail to cooperate with each other and even work** at cross-purposes.
- Strategic steps in **physical distribution** are intended to resolve this problem. In a well-planned manner, **two parties in marketing channel function as if they were one**. Even they may make customers believe that they are dealing with a **single organization that is fully integrated**.
- Market logistics include **physical distribution** which is an important task in the channel management of companies and firms.
- It requires utilization of a functional approach and implementation of a **managerial awareness and competent outlook** in order to promote exchange of information and implementation across channel members with the aim to improve organizational skills.

- This process involves thorough **product information and marketing and sales abilities**, the significance of any discrete set of tasks, including physical distribution functions. Physical distribution begins from the factory.
- Managers keep some **stocking points (warehouses) and means of transportation** to deliver the goods to final destinations in the desired time or at the lowest total cost.
- It is transformed to a wider concept of **supply chain management (SCM) that begins before physical distribution**. SCM includes strategically procuring the right inputs (raw materials, components, and capital equipment), converting them efficiently into finished products, and dispatching them to the final destinations.
- **Physical distribution is crucial to all product-oriented companies**. The digital revolt is extremely renovating distribution strategies.
- **Online services ease both customers (individuals) and businessmen** and the use of smart gadgets is replacing traditional brick-and-mortar channel strategies.
- Customers also wish to take **benefits of digital - massive product range, ample product details, buyer feedbacks** (reviews and tips), and of physical stores highly customized service, thorough physical investigation of products, an overall occurrence and knowledge.

PHYSICAL DISTRIBUTION

Key Elements of Physical Distribution



➤ **Tasks in physical distribution management**

- Market logistics involve **strategic planning the infrastructure to meet demand**, then implementing and controlling the physical flows of materials and final goods from **points of origin to the points of use to meet customer requirements at a profit**.
- The market logistics task calls for **integrated logistics systems (ILS)**, which include materials management, material flow systems, and physical distribution, aided by information technology.
- Companies are always concerned about **the total expenses in market logistics**, which can be as much as 30 to 40 percent of the product's cost. Tasks in **physical distribution management** involve different functions such as
 - a) **Material management**
 - b) **Inventory design and percent regulation**
 - c) **Order giving out**
 - d) **Conveyance**
 - e) **A communication system to facilitate the physical distribution process.**

These functions are detailed below

➤ **Material Management:**

- It implies entry and exit movement of the **products in a stock with routine monitoring and maintenance**. Electronically data is processed to regulate conveyor systems, warehouse logistics and other transportation systems.
- **Advance handling techniques and protective packaging** have enhanced the **customer satisfaction** with lowered incurring costs. **Material management and packaging facilities** have also improved the warehouse logistics and delivery of consignments.

➤ **Inventory Design and Regulation:**

- Inventory refers to the **stock of products** that a **firm retains and keeps them prepared for sale**. They are required to analyze market demands.
- It acts as a **buffer between manufacturing and customer service** (fulfillment of order). In fact, the whole physical distribution management relies on the **inventory management** as if it is the soul of physical distribution process.
- Marketing managers carry out an inventory design to **create sufficient collections of products** to fulfill the market demand.
- Moreover, they also govern the costs associated with **procurement and upholding the inventory**.

Inventory management is done on the basis of three major parameters i.e.

- (i) Tracking position, extent and the state of the inventory,
- (ii) Best possible channeling of inventory information to manufacturing supervisors or consumers for resale in order to plan their events,
- (iii) Translation of inventory details to relevant departments for better performance

➤ **Order Giving out:**

- **Order-dealing out and inventory regulation are interlinked**. Order processing is an important parameter which reflects **buyer facility and fulfillment**.
- It involves **receiving, recording, filling, and gathering of products** for dispatch. **Time gap between receipt of an order and dispatch of goods should be judicious** and as minimum as possible.
- The process of order processing should be **quick, precise, and efficient**.
- The marketing manager has to think upon other important issue apart from routine process such as, efficient way to provide bills i.e. **least paper work and efficient assembling of orders**.

➤ **Conveyance:**

- It is an important part of physical dissemination. It includes **collaborative benefits of different means of conveyance** using containers and physical art handlers.

The marketing manager need to be decisive for

- (i) **Selection of mode of transportation** (ground i.e. railways, roadways, pipeline; water ways or air) to carry products to storerooms and to the customers,
- (ii) **Minimization of transportation cost** without compromising customer service and satisfaction.

➤ **Communications:**

- It is a means of **sending or receiving data from one person to another** via various ways. This involves the data transfer that connects **manufacturers, mediators, and consumers.**
- Digital widgets such as; **PCs, storage devices, presentation tools** and other ways enable the course of line in the system.
- A successful administrator has to **cultivate an efficient system of communication.** It helps him to instruct members and collect feedback or responses of the subordinates.

➤ **Organizational Structure:**

Head of the physical dissemination has to **manage all functions to create a robust system** for meeting customer needs. For example, organizational considerations can be:

- (i) Best possible co-ordination of **multiple principal elements of physical distribution** to achieve a goal,
- (ii) How to avoid a **state of dissociation?**
- (iii) To which superior he should report the activities if a authority is **directing all physical disseminations?**

UNIT-IV

PART - 2

PROFESSIONAL SALES REPRESENTATIVE

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PROFESSIONAL SALES REPRESENTATIVE

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NORMS FOR CUSTOMER CALLS

EVALUATION, COMPENSATION AND FUTURE PROSPECTS OF DETAIL MEN

❖ PROFESSIONAL SALES REPRESENTATIVE (PSR)

- The field sales call was used in direct marketing in older times. In **pharmaceutical companies, selling is the core function.**
- A person having sufficient knowledge of a company's product or service and who is reaching directly to the consumers can bring a **dramatic increase in sales for the company.**
- Such persons are professionally trained and **represent the company by selling a specific product or a service** thus they are known as Professional Sales Representative (PSR).



❖ DUTIES OF PSR

- Salespeople have to do more than call only while **they interact with customers.** Professional sales representatives (PSR) should **call or meet the customers at their convenience giving fruitful recommendations about the commerce/service.**
- They need to manage important accounts, **identify buyers' difficulties,** and stay prepared to **assist them in several methods, familiarizing and answering to different buyer requirements or circumstances.**

Duties of PSR are as follows:

1. Attain **set goals of sales** by contacting targeted customers/prescribers.
2. Teach customers about **prescription benefits of products.**
3. **Stimulate prescribing behaviors of customers** through impactful sales presentations.
4. **Analyze customer queries and articulate them** to sales of their desired products.
5. **Design and implement call plan every month** to achieve stipulated sales as per action plan of the company.
6. **Work together with prescribers as regular customers** and offer resolutions to their particular requests.
7. Gain definite **sales call** as per company outlooks.

8. Keep informed and bring about **allocated company property fulfilling to company policies and actions.**
9. Warrant up keep of **equipment and resources adequate to company policies and procedures.**
10. **Handle product samples** as per company sales policies and procedures and region practices.
11. **Exploit professional Sales Force Automation software** to uphold customer profiles and sales facts.
12. Calculate and examine sales figures drifts to see **dynamics within assigned territory.**
13. Regulate department performance using **feedback, productivity control, mobile surveys and monthly predictions.**
14. Keep on eye and uphold professional **sales patch-up order drifts.**
15. **Sustain sales reporting systems** required by dealers and factory.

❖ **PURPOSE OF DETAILING, SELECTION AND TRAINING, SUPERVISING**

- Sales force includes diversity of tasks and is **heart of the marketing.**
- In current scene, customers expect number of **desired characteristics in salesmen** like, **good product knowledge, interesting talk about operations in case of service call, and a reliability** of the company.
- These qualities of sales force need companies to **detail, select, train and supervise all members of channels and companies** invest a lot in this area.
- Pharmaceutical companies have to **comply with regulatory guidelines** and products are not sensitive for human use so they try to focus on better **selection, training, supervision, motivation, and compensation for improving sales force productivity.**





➤ Handling the Sales Force:

- Different strategies and processes help the company in **recruiting, selecting, training, controlling, encouraging, and appraising** sales representatives to manage its sales force.

➤ Recruiting and Selecting Representatives:

- Recruitment of selected representatives is deciding factor for **successful sales force suitably**. There will be wastage of time and money to recruit the wrong people.
- Almost **20%** is the average yearly revenue of sales reps in all trades. Sales strength revenue results in vanished sales, the **outflow of identifying and training substitutions**, and sometimes stress on current sales representatives to give a lift to the drop-off.
- It is not at all times found a robust liaison between sales outcomes on one hand and upbringing and know-how variables, present status, way of life, assertiveness, character, and expertise on the other.

- Performance in sales is analyzed by **complex tests in simulative conditions** that put on the working circumstances and judge candidates in an analogous working atmosphere.
- Though marks from these exams are only one element of assessment that comprises individual features, references, former job description, and examiner responses, they have been prejudiced fairly by organizations or firms.

➤ **Training and Supervising Sales Representatives:**

- As per customers' expectations, **sales persons are supposed to have profound product information**, give their ideas to enhance operations, and be competent and trust worthy.
- These qualities in sales people are **taught in training in companies and it requires a large investment**. This training may range from few weeks to several months.
- In case of pharmaceutical companies, **the average training period is 28 weeks**. Training time depends on the intricacy of the marketing job and the nature of recruitment.

➤ **Sales Rep Productivity:**

- A big question for a company is to **decide number calls** to be made on a particular account in a year.
- It is found in present scenario that **companies spend comparatively more time in selling to smaller** i.e., less profitable sections than targeting a larger one for more gains.
- Thus, companies regularly insist on **focusing sale reps to devote time for seeking new accounts**. Even, some firms bank on a targeted sales force to generate awareness and open new accounts.
- The best sales reps perform better **by time management**. By analyzing **time- and-duty and hour-by-hour interruptions of actions, proper allocation** can be managed and it improves productivity.

❖ NORMS FOR CUSTOMER CALLS

A medical representative has to perform four crucial tasks.

- 1. Detailing:** Detailing is singularly the most important task that has to be performed. **Detailing means to provide detail information about drug.** Effective detailing is the only way to increasing prescription generation. The four basic elements that lead to action are:
 - ✓ Speaker
 - ✓ Occasion for speech
 - ✓ Speech itself
 - ✓ Listener (the receiver)
 - ✓ In our case 'prescription' is the actions and detailing is the process of communication.
 - **Speaker:** The **MR is a speaker** in the contest of detailing to a doctor. He should be confident, have faith on himself, in his ability to detail effectively, faith in company, relaxed mentally.
 - **Occasion for speech:** For MR, every **interview with a doctor is occasion for speech event.** He should be prepared thoroughly for every occasion. Utilization of time is important.
 - **Speech:** In a 'detail talk' of representative on his products should be complete and precise. It should be thoroughly prepared.
 - **Listener:** **Attention of listener is important.** A representative should call on the doctor at the time of his convenience.
- 2. Sampling:** Sampling is another task performed by MR's. It indicates the **presentation of samples.** Sample may be supplied to the medical and allied profession to familiarize them with products, to enable them to gain experience with the product in their practice or upon request.
- 3. Monitoring:** Regular surveillance as checking of the product performance and its perception, is another tasks of MR.

4. Retailing or Retail booking: Visiting to the retailers or wholesalers is also important. It provides vital feedback as:

- What is happening to your **products and how they are moving?**
- **Competitors' activities**, their product movement, their future plans, etc.
- Identification of **major prescribers of your as well as competitors products.**
- **Basic information** leading to effective response.
- **Retail booking is another task.** Availability and optimum stock at the retail level is essential for products success. The visit to the trade and retail booking is as important as to the doctors.

❖ **EVALUATION, COMPENSATION AND FUTURE PROSPECTS OF DETAIL MEN**

- MR is a vital communication link between the **drug manufacturer and the medical profession.**
- Many companies are producing **same product with little or no variation.** Thus, selling is a major problem.
- A perfect retailing is the only means by which **a product can be established or it can generate prescription in the market.**
- For this reason almost all of the companies are focusing towards **marketing prospects.** A large number of detail men are employed or recruited.
- The highly competitive, situation present in the **pharma industry raises the importance of detail men** and their future prospect.
- Medical representatives are increasingly getting **good remuneration, consequently the Sales Promotion Employee Act, The Industrial Disputes Act** has been made applicable and casual leave had been increased and have been made more favorable to employees.
- A proper understanding and appreciation of the problems of representatives is essential to know the way for better industrial relations even as managements may be doing what is right.