
Understanding Segmentation in Pharmaceutical Industry

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Pharmaceutical industry in Indian scenario occupies a critical status that of knowledge industry with strong orientation to science and related medical concepts. Currently Indian pharmaceuticals market is estimated to be around 4.5 billion US dollars with annual growth of the order of 9% (CAGR ~ 10%). As a typical feature of developing country, we are still fighting with infections, so Antibiotics class is the largest therapeutic area, contributing around 24% to the market. Indian pharma market is highly competitive with me too's and low priced generics as key representing features. This leads us to emphasize on need of using segmentation concept appropriately and effectively.*

As marketers, we talk lot about segmentation but very rarely this is used effectively. To go bit deeper, let's look at this basic concept - The prime reason is that no customer base is homogenous and different segments have different needs and priorities. By segmenting markets into potential groups of buyers, who share certain similar characteristics, managers can identify the optimum segments to cater and focus on available resources against them. But how effectively pharma-managers have been able to use and implement segmentation, is a big question. In pharmaceutical industry, marketing lies and moves around the print promotion and the efforts made by the sales force, to move the product to ultimate consumers.

Talking of segmentation at managerial level while deciding about a niche for the product, segmentation comes first followed by targeting & then positioning the product (STP concept). Generally while segmenting in print promotion, strategy of market aggregation is adopted rather than market

segmentation, where we try to fit the market to the product and not product to the market. This can be realized by analyzing the real process adopted, that we create a need and importance for the product by highlighting product qualities specially when there has been no prior competition existing. Where as, it is different from consumer product where needs are studied and then product is created. Although we can not deny this concept of satisfying consumer needs in pharmaceuticals also but we can definitely state that primarily this is not taken care of, whatsoever may be the justification. There is always an existing need and further need that the product is created through exploiting product benefits offered to the customers (price, availability, features like flavor & taste, patient compliance etc.).

Pharma-product segmentation is different with respect to the typical segmentation for consumer goods, where we generally segment the product demographically or economy wise (bases i.e. age, sex, income etc.). Although all of us know that ultimately segmentation leads to specific targeting but here we talk about the product and the target in reality. We do adopt segmentation, may be in case of OTCs (over the counter products), we need to do segmentation and then targeting. For most of us segmentation is always done in mind and what happens when we try to implement segmentation in the field may no be as anticipated.

In pharma marketing, when marketers lay out their market plans for launching a new product or for existing products, they have prior knowledge about the target segment. Because of this existing information, we, as marketers, do not feel the need

of more specific segmentation. If we look at it broadly, we understand that ultimately segmentation will lead to specific targeting and we know our targets - so not much of emphasis is given to it. In some cases, few of us must be doing an exercise of segmentation for ourselves but without putting on papers - an intangible exercise.

To fight out declining sales graph, we need to understand our targets more specifically. If we go step by step, I think, most of us will be able to understand our targets in a much better way. As mentioned, after selecting and studying a specific molecule, we plan to launch it. Then categorically segment the product in terms of benefits, occasions and usage patterns. List all the factors. After doing such exercise, I can assure you that you will get a clear-cut plan for directing your promotional plans.

Right now, what majority of us, have been doing is, broadly segmenting and then finding targets. Obviously a broad target will be a result of such exercise and then we try to position our product for that broad segment. As a result we arrive at confused position and deceptive target. This statement does not reflect that marketers are not paying attention but the fact is that, significant attention and time is not spent for this.

In pharmaceuticals the problem of segmentation keeps on troubling marketers, specially, when a product is a GP product or the product is used by a large number of doctors. Then even after segmenting in a proper manner, efforts of marketers go waste because of lack of proper implementation. Let us take example of piroxicam (NSAID), a product which has a pharmacological property of treating pain. 'Pain' is a broad category, catered to almost every doctor. But here we segment for the product by stating its benefits for certain specific categories, which have maximum potential.

In the categories, what we need to look at, is the fact that the product is segmented in terms of benefits (performance, satisfaction and unmet need etc.), occasions (regular/specific) and factors affecting usage patterns (rate, loyalty, price etc.). Here we can see that after a proper segmentation (specific target) strategy is adopted, the product is handed over to field force. In our plans, we direct our field force that

to whom and how to promote the product. Like for NSAID, they need to target orthopedicians and GPs. But here we need to further segment the broad segment again - find out specific prescribers, may be the potential prescribers also. Failing which we face the problem of implementation where we receive declining sales graph and static figures.

To find out the solution for this let me touch upon some basic concepts. The basic idea behind the evolution of segmentation is two folds -

- Company has limited resources
- Company can not cater to all customers to their satisfaction

At any level, we can not neglect the fact that all doctors (even in one specific medical fraternity) can not be equally receptive for a specific product. So why not to cut the extra fat in terms of cutting extra promotional expenses or diverting them for more productive benefits. At the end of day, we realize that 80% of our business comes from 20% of our customer base. So why not to cut the marketing expenses of promoting your product to rest 80% non receptive doctors. Believe it or not, it will have a very significant positive impact on your profit line. This objective can be achieved only after specific segmentation and targeting.

Another side of story is for marketing personnel. Though they claim to put much emphasis on proper segmentation for catering the much smaller group of doctors more effectively; but when it comes to their job functions, they simply turn their faces, neglecting the hard-core reality. In a different perspective, look at their product portfolio running into 20's, 30's and even more products chasing endlessly with a basket of non-contributing products / product forms / pack sizes. Why to have such a huge product portfolio, with a large product width and product line, just to mark it's existence in specific therapeutic category. For these non-contributing products or pack presentations, burden is on contributing ones. These few contributing products have disproportionately large contribution to overall profit line of company.

A wide spectrum of products may be felt necessary to meet the different needs of doctors as well as patients. But increased diversity like this, makes

the business unnecessary complex by increased inherent problems. Inherent problems could be high levels of inventories of slow moving presentations, diluted efforts & interest of field staff, all flanks becoming vulnerable to competitors attack etc.

A little time and awareness will definitely save us from too often re-positioning and re-targeting because whenever a solution to the declining profit-margins is put forward, marketers revise their plans. Talking precisely, when segmentation was not done

earlier then in redoing also the same problem prevails.

In desire of high sales (volume or value), we have been using segmentation as a part of our marketing strategies but how effectively? We need to ask ourselves that by spending our time and energy, are we really able to extract the expected amount of benefits.

*CAGR Cumulative annual growth rate