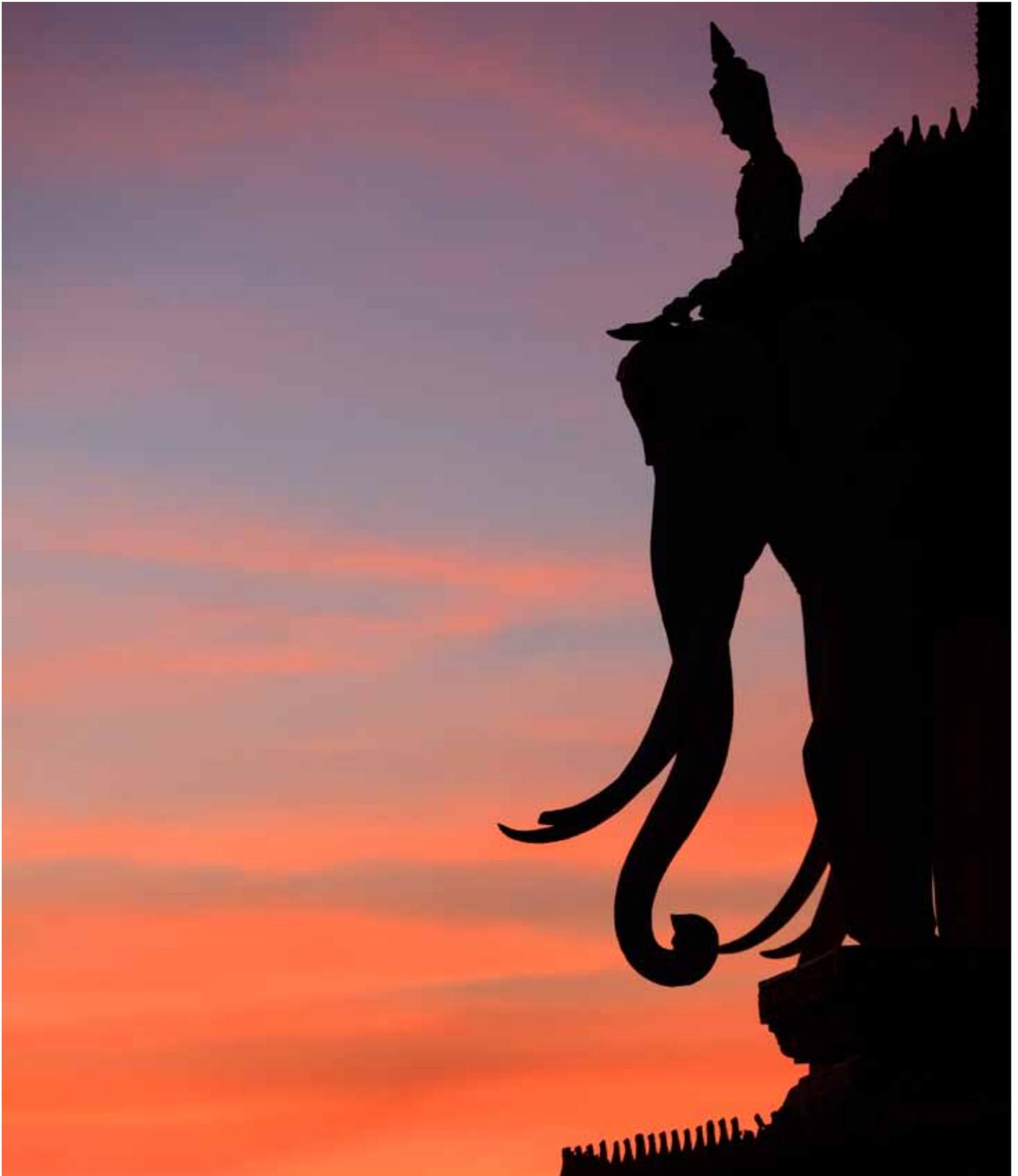




# The Evolution of Sales Models in the Indian Pharma Industry

BY AMARDEEP UDESHI, ENGAGEMENT MANAGER, IMS CONSULTING GROUP AND MOHIT BAHRI, CONSULTANT, IMS CONSULTING GROUP





# Dear colleagues,



We are proud to present to you the outcome of a unique initiative jointly undertaken by OPPI and IMS Consulting Group (IMSCG). As part of the OPPI Committee on Sales Force Excellence (SFE), a decision was taken last year to understand the prevailing practices and emerging trends with respect to Sales Forces, aimed at driving SFE across the Indian Pharma industry. As part of this study, OPPI and IMS Health undertook a survey amongst key senior management personnel, wherein information was captured related to sales force structures, the principle behind their set ups and the challenges faced therein. Fourteen companies responded to this survey. What is presented here is a brief glimpse of the findings of this survey, within the context of changing sales models in the Indian pharma industry. Supporting this data are insights provided by IMS Consulting Group based on their expertise and knowledge of the industry and its changing dynamics along with inputs from other industry experts associated with OPPI.

What this paper attempts to do is to showcase how sales models are being, and will continue to be, re-invented and redesigned across the Indian pharma market landscape in the years to come. We do hope you find this article and the subject as interesting as we found it to be while bringing this paper to you.

Thank you,

Tapan Ray  
Director General  
OPPI

Ram Kalyana  
Country Principal, India  
IMS Consulting Group



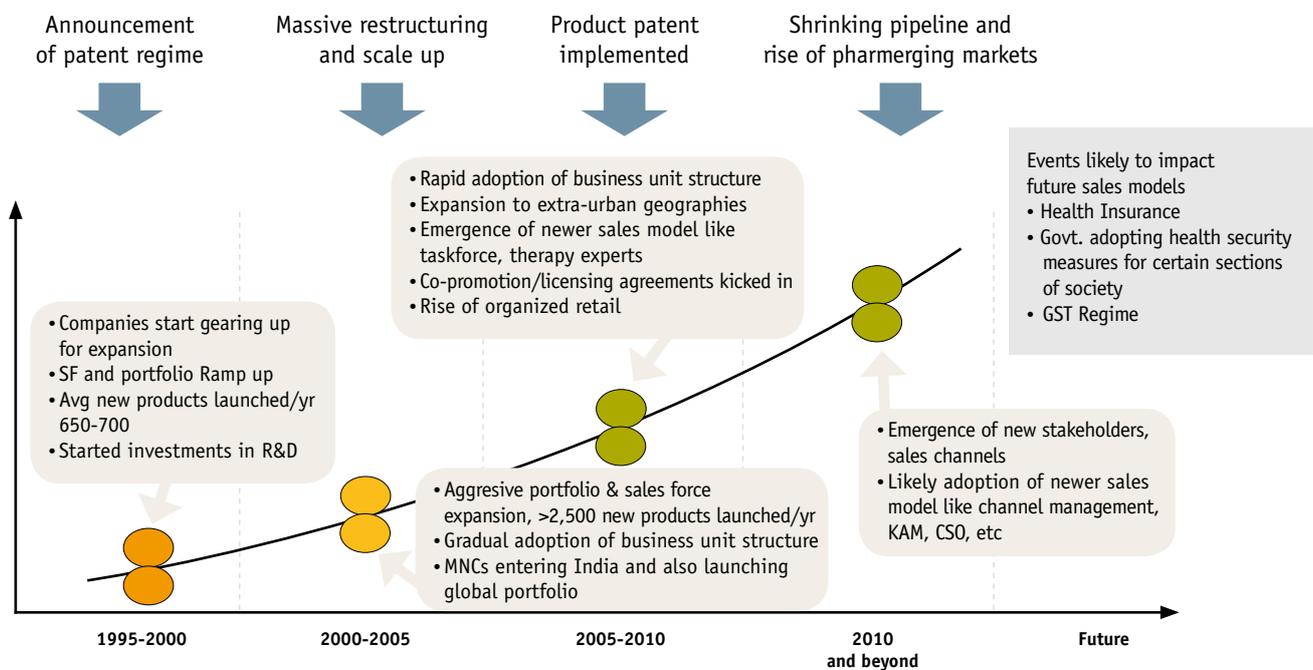
### THE ONLY CONSTANT IS CHANGE ITSELF

The ever changing face of the Indian pharma industry and its ability to adapt innovatively has reinforced the fact that adaptation is the only way to survive. With every passing decade, a new commercial challenge has emerged; which in-turn has provided the industry with an opportunity to ride the waves to reach newer heights. An annual turnover of Rs 600 Bn with a CAGR in excess of 15% is a testimony to the fact that key players have emerged, winning over time. With time, newer and innovative commercial approaches have been adopted and implemented, thus demonstrating that the companies have adapted themselves to the fluidic nature of the Indian pharma market.

As Fig.1 below indicates, following the announcement of a formal patent structure in 1995, Indian players started gearing up for the product patent regime. During this time, a transition from conservative sales models to ag-

gressive and innovative sales models was observed. Companies geared up their R&D efforts to meet the product patent criteria, and undertook an aggressive expansion in early 2000s from a gradual ramp up of portfolio and sales force in late 90s. So aggressive was the portfolio expansion, that the average number of new brands launch increased from nearly 700/year in the late 1990s to >2,500/year between 2000 and 2005. At the same time, companies expanded their sales forces aggressively in attempts to reach out to the geographical corners of the country, including rural markets in the late 2000s. In a bid to increase revenue further, innovators engaged in co-promotion of their patented products and out-licensing. At the same time, with limited options to expand portfolio and near saturation in the top cities in India, companies started adopting newer commercial models and sales force structures (like task forces, therapy experts, Key Account Manager structure, Contracted Sales Operations, etc.) to more efficiently target the market.

Figure 1: Changing Sales Dynamics in the Indian Pharma Industry



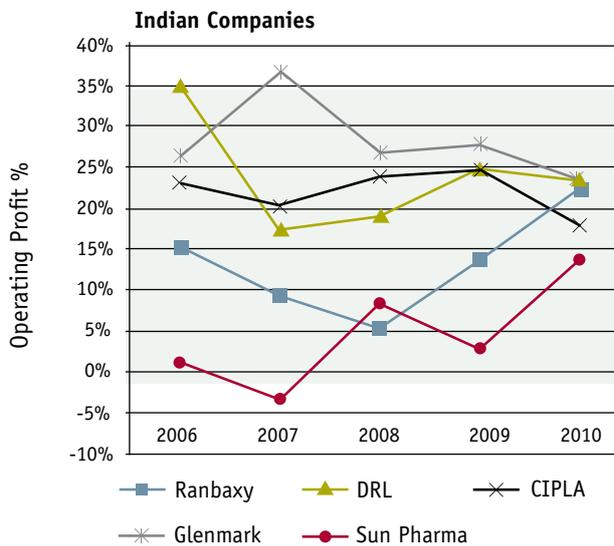
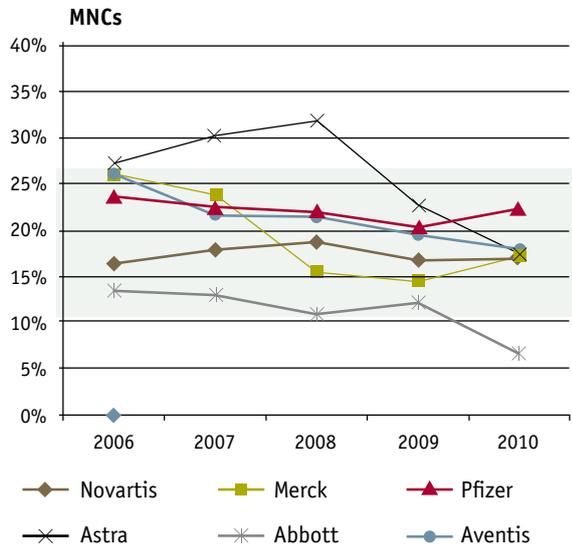
Source: IMS intelligence



Companies who aggressively ramped-up were able to maintain their bottom line, thus indicating that these strategies paid off. A Top-level financial assessment

(See Fig.2 below) shows that these initiatives have proved to be fruitful and provided healthy bottom lines.

Figure 2: Profitability trends - Key companies



% Operating Profit = Operating Profit / Operating Income  
Source: www.money.rediff.com

However, in an ever changing market environment, the sustainability of these models in terms of profitability needs to be carefully considered. Hence, it's imperative for the industry to look within for the opportunities to

drive up efficiencies, be it through streamlining operations, adapting their sales model to market realities, or enhancing efficacy of initiatives.

### CURRENT SALES MODELS

The sales force continues to be the biggest promotional investment for pharma players. Industry has evolved around making most use of this resource and has adopted innovative commercial models, from sales and marketing structure to business unit structure to specialized task forces, as per their needs – often proactively adapting existing sales models to market realities

As an industry executive says, “We moved from a Sales and Marketing structure to a Business Unit structure to bring more accountability, manage evolving business needs and use equity of organization for reaching to the middle of the accessible pyramid. We have also created a horizontal strategic excellence team across these BUs for process evaluation.” Another industry executive mentioned that adopting specialized field forces to promote super-specialty products, using a traditional field force to promote other less specialized products, and a CSO (Contracted Sales Operations) model for rural geographies has worked well for them. Thus, the industry has seen an adoption of multiple kinds of sales forces – an improvement over having a ‘traditional sales force only’ model.

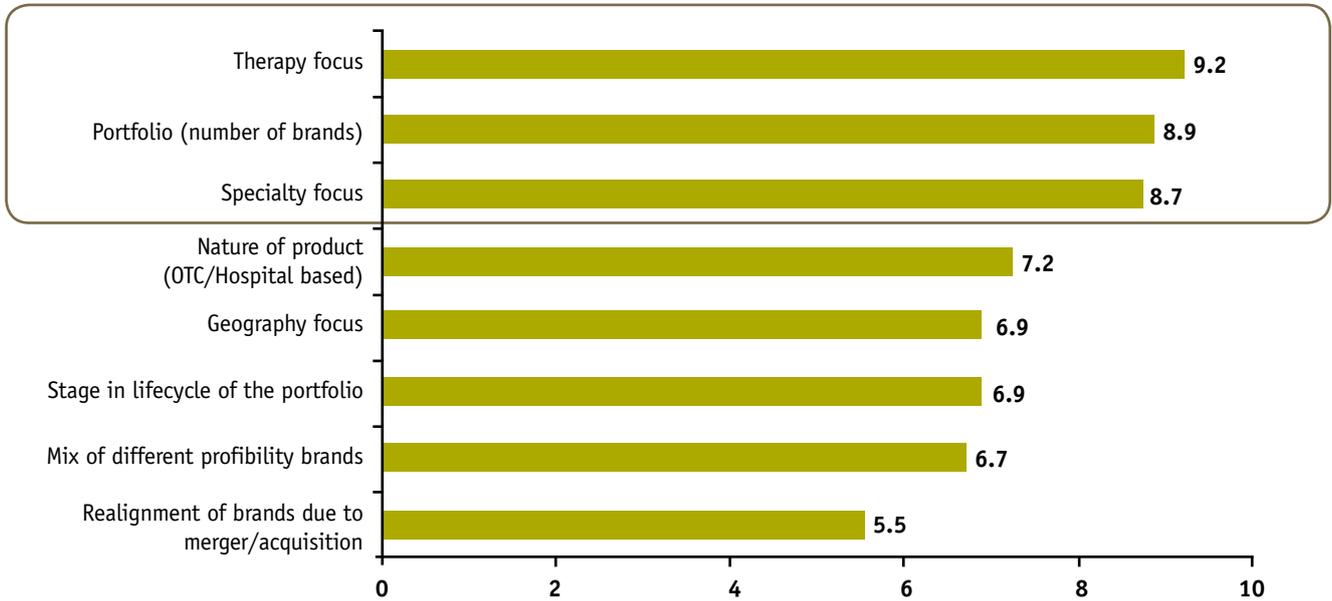
In a survey jointly undertaken by IMSCG and OPPI amongst leading companies related to sales practices and models, it was observed that nearly 80% responded to having changed their sales model at least once in the last 5 years. Nearly 80% of the companies contacted by IMS have already adopted multiple business unit models, with or without additional specific task forces; with the number of business units ranging from 2 to 10, depending on portfolio width.

While most of the companies have adopted this Business Unit structure, a few pushed further ahead by adopting newer innovative promotional models like patient activation teams, therapy specialists, or creating patient awareness through mass media.



As seen in Fig.3 below, while key determinants of the sales force structure are therapy focus, portfolio width, and target doctor specialty, a few companies have also aligned their models around geographies and profitability.

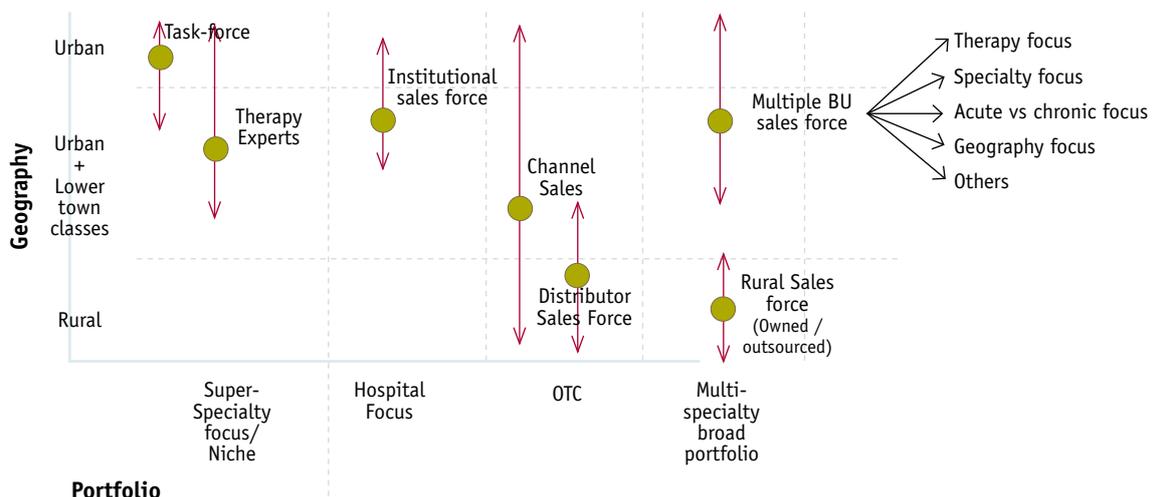
Figure 3:



A few of the models seen in the pharma industry (see Fig. 4 below) are:

- **THERAPY FOCUS PROMOTION:** Generally seen where a portfolio is specialized, therapy focused, and scripts are driven through chosen few doctors; generally in chronic segment.
- **CHANNEL MANAGEMENT:** Mostly in OTC /OTX business; mature products with wider portfolio width.
- **HOSPITAL TASKFORCE:** Exclusively to manage hospital business.
- **SPECIALTY DRIVEN SALES MODEL:** Applicable in scenarios where portfolio is built around 2 or 3 specialties.
- **TASK FORCE:** Generally adopted for niche products in urban areas, such as fertility clinics or for new launches where the focus is on select top rung physicians only.
- **OUT-SOURCED SALES FORCE:** Generally used for expansion in extra-urban geographies or with companies for whom medico-marketing is secondary (such as OTC or Consumer Healthcare companies).

Figure 4: Newer Sales Force Models adopted



Non-exhaustive indicative overview of Indian Pharma sales Models



Different companies have adopted different strategies, but the key reason cited for adapting these changes remains the same: to provide better customer focus and targeting, enhance efficiencies, facilitate expansion to newer business areas (both therapies and geographies), and increase accountability of the resources. One of the executives surveyed said, “We created multiple structures to expand coverage to new markets and therapy areas in line with growth expectation, support new launches, and strengthen key markets & institutional sales.”

For specialty products driven companies, task forces account for nearly 15% of the total sales force. Key determinants of adapting these models are therapy focus, width of product portfolio and target doctor specialties. Interestingly, responses of those companies having mature products tending to an OTX profile suggest that channel management has already made inroads into pharma sales, accounting for nearly 20% of sales forces, second only to traditional sales force.

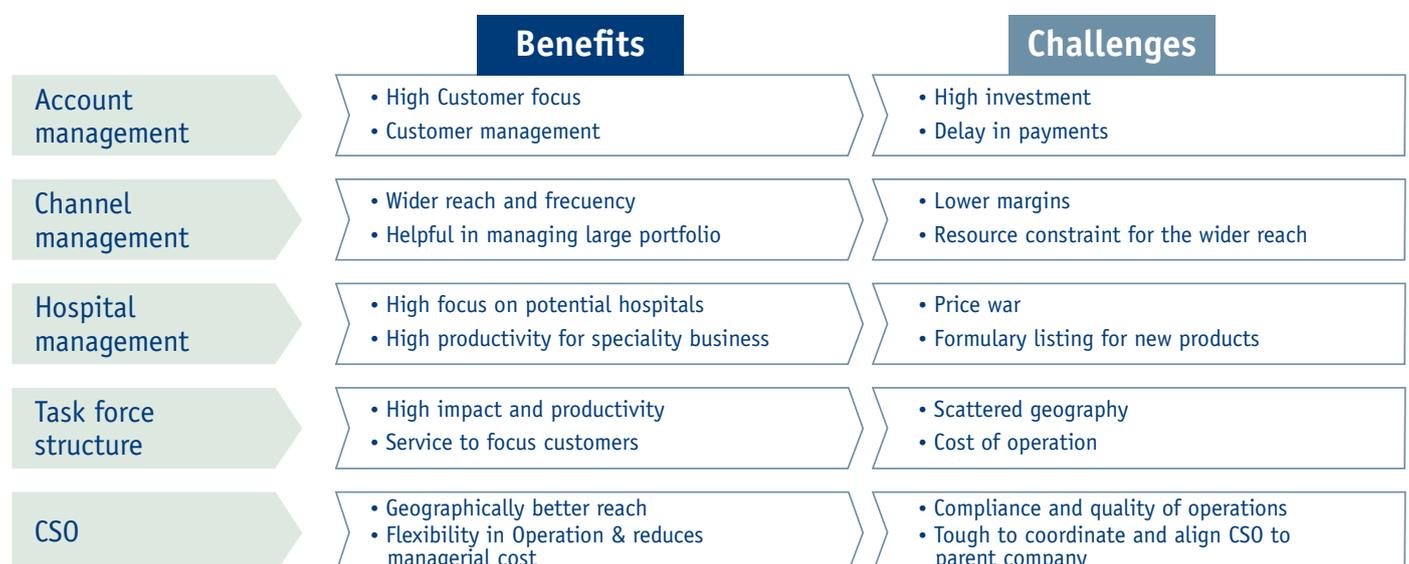
Geography also emerges as one of the key determinants of sales model adoption, which shows that companies are also looking at realigning their sales model around the varied need of various geographies. An industry executive contacted by OPPI-IMS said “A new BU was created in our company to tap the opportunity in the lower town classes. The BU contribution to the overall business is close to 20%.” Another executive said, “Emerging and untapped business in the Class 3 or 4 towns and rural sector will impact the future selling model,” thus

acknowledging the seriousness around rural consumers. MNCs like Novartis, Sanofi-Aventis, Pfizer are actively expanding to Tier IV cities and below, creating profitable business models around rural geographies. Extra-urban geographies require different sales models in addition to a different strategy in terms of portfolio, distribution, pricing and promotion.

It has also been observed that many companies have adopted a multi-pronged commercial model to target specific needs of the various customer sets. One of the industry executives said, “We adopted multiple strategies, like divisionalization in different therapy segment to bring better focus on field implementation, creation of channel management to manage late life cycle brands, launch of an extra urban division to increase reach, and launch of super specialty division like Derma & Cardio.” Previous studies from IMSCG suggest that this is not an isolated case, but is now a common practice followed by both Indian and MNC players.

No one model fits all. As seen in Fig.5 below, different models have their share of benefits and challenges; innovative sales structures increase customer focus, but with additional investment. Hence, one needs to study financial feasibility of a adopting a new commercial model. While a few companies have started to reassess their selling model, many players still rely on traditional promotional channels, where doctor coverage, call frequency, and working days still define the KPIs for the sales force.

Figure 5: Key benefits and challenges with various sales structures

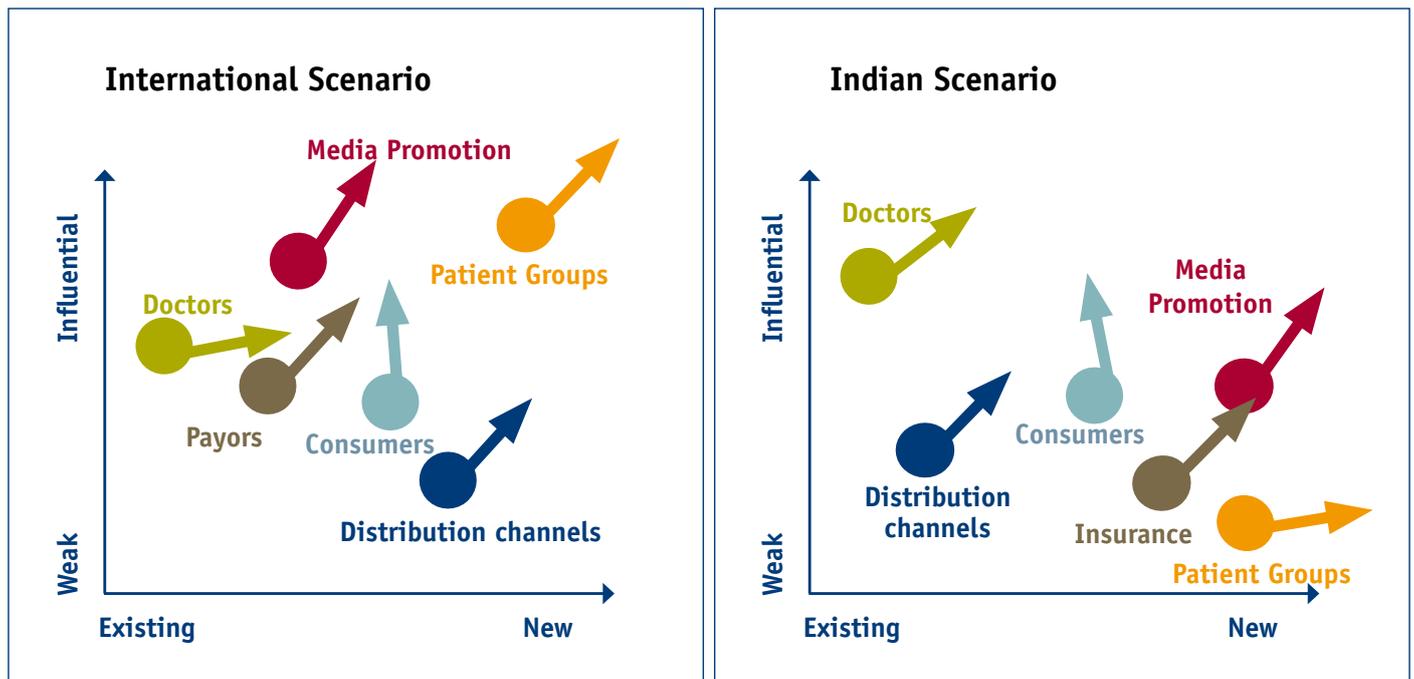




A closer look at current models show that these models, though they would have provided an edge to the players, have largely focused around single stakeholder, primarily doctors. A study by IMSCG shows that decision making power of other stakeholders, including patients, hospitals, payers, and insurance companies, has

been on a steady rise in recent years. Rising influence of new stakeholders in deciding treatment pathway will force the market players to look at newer touch points with new stakeholders and hence the promotional channels. KPIs for the sales team need to evolve to include these new key stakeholders.

Figure 6:



Moreover, there are fundamental differences in stakeholder evolution between Western and Indian markets, which to an extent explains the difference between commercial models in the West and in India. While doctors are still the center of healthcare in India, the West has seen an emergence of consumers, payers, private insurance and patient groups as strong stakeholders in healthcare management. With Westernization of the Indian healthcare market, newer stakeholders are

likely to gain more importance, and thus will be the need for newer ways and means of targeting them. Leading MNCs like Sanofi-Aventis, Roche, Lilly, MSD, and GSK have already started engaging newer stakeholders (patients) to maintain their leadership in the market. Awareness campaigns, as adopted by MSD for Gardasil or by GSK for its vaccine portfolio or by Sanofi-Aventis for its top end brands have helped route the patients to their products.



## EMERGING TRENDS IN THE HEALTHCARE SYSTEM

OPPI-IMSCG has identified six key trends in healthcare which are likely to influence the way pharma companies adopt their sales models in the next decade. These trends will see emergence of new stakeholders and promotional channels, that no company may afford to ignore, impacting future commercial models. These key trends are:

### 1. PATIENTS INCREASINGLY BECOMING STRONG STAKEHOLDERS:

Increasing education, awareness, and income have prompted patients to actively seek a healthy life-style. Patients have emerged as stronger stakeholders in the overall treatment chain, commanding what they want, at the price they want, where they want and by whom. Demand for preventive treatment, rather than curative, is increasingly becoming prominent amongst patients. Vaccination is a case in study, where companies like GSK and MSD have targeted primarily the end-user to ramp up patient acquisition. Increasing use of health check-up packages, awareness creation through media promotion, and government initiatives in rural health-care will only lead to further strengthening of patients as key stakeholders in the healthcare system.

	
<ul style="list-style-type: none"><li>• Engages patients by providing services at their home for products like Arava and Actonel</li><li>• Typical services include<ul style="list-style-type: none"><li>• Counseling</li><li>• Delivery starter kits</li><li>• Medical Insurance</li><li>• Exercising equipments</li><li>• Physiotherapy sessions</li><li>• Diagnostic Tests</li><li>• Personalized visit</li><li>• Emergency help</li></ul></li><li>• Doctors are reported about the status of the patients</li><li>• Patient doesn't has to pay anything extra</li></ul>	<ul style="list-style-type: none"><li>• Program is called as SPARSH</li><li>• Typical services include<ul style="list-style-type: none"><li>• Counseling</li><li>• Diagnostic Tests</li><li>• Query handling via call center</li></ul></li><li>• Patient doesn't has to pay anything extra</li></ul>

MNCs have been actively engaging customers by providing disease management services to retail patients taking their products. Counseling, physiotherapy sessions, and diagnostic tests are all services being provided to patients. Patient reach programs will require different set ups and servicing teams with specific skill sets. A leading MNC vaccine player reaches out to their patients through an SMS reminder service. An industry executive mentioned use of call centers for chronic disease management as a possibility. Thus, implementation of patient engagement programs will require adoption of different sales and service models, and hence newer capabilities by market players

### 2. EMERGENCE OF NEW HEALTHCARE DELIVERY CHANNELS

The hospital segment is strongly emerging in the Indian healthcare sector. Private and corporate hospitals have grown at a 15-20% on YOY basis, and the trend is expected to continue for the next 5 years as well. Penetration in Tier II cities and medical tourism will further boost growth of corporate hospitals. The upcoming increase in number of corporate hospitals will result in a structure where players will not only require a hospital sales force, but also the key account managers to handle relationships with wider set of stakeholders like purchase managers, administrative staff, and nursing staff. Most of the companies surveyed by IMS either already have a hospital division, or are planning to have one in next 2-3 years.



### 3. UPTAKE OF GENERICS BY GOVERNMENT HOSPITAL SECTOR

Mandated prescribing of generics by government hospitals is expected to strongly impact the sales of branded drugs in the long run. Mandated generics prescription in the West has already led to emergence of new sales model aimed at generics promotion. Though IMSCG does not see this trend impacting India much in next 5 years, over next decade or so it will be interesting to see what new commercial models pharma players adopt. Pharma companies may also need to engage aggressively with government bodies like pricing authorities, or approval committees.

### 4. GROWING OTC SECTOR

Use of media in driving brand promotion and reaching out to masses has opened up a new avenue for Pharma players to grow beyond traditional channels. Revital, Gelusil, Liv 52, Volini, No Marks, Crocin are the classic case studies, where pharma players expanded their reach through newer promotional channels like media promotion or in-store branding. Because OTC implies reaching out to patients and consumers without doctor intervention, it necessitates focusing attention on pharmacies directly, developing new distribution models, pricing and consumer targeting. Healthcare FMCG companies like GSKCH, Nestle and Britannia have a dedicated medical detailing field force meeting doctors and nutritionists to promote their brand too. Emergence of OTC is further expected to catch-up in next 5-10 years, with many more companies eyeing to acquire a broader patient base through multi-channel marketing. Hence, pharmacos need to adopt a different model for targeting customers

### 5. ORGANIZED RETAIL PHARMACY CHAINS

Increasing spread of organized pharmacy chains like Apollo, Guardian and 98.4, will make pharma players think about managing the growing power of newer distribution channels. According to industry estimates, organized retail pharmacy chains already account for nearly 5% of pharma sales in India, and their share is increasing year on year. These chains cannot be ignored any longer. Over a period of time, the role of organized players may evolve from mere distribution of drugs to managing patients' health. Pharma companies may need to think about how to engage with these chains to deliver more and more services to their patients. With increasing share of sales, the demand for further discounting by these chains is not far away. Not only will these pharmacies demand price discounting, they will impact the way the supply chain is currently structured. With media promotion driving the customer pull, merchandising will take a bigger role in overall sales promotion at these pharmacies. Thus, the association between pharmacos and these chains needs to grow in a manner that both parties benefit from the inter-play.

### 6. RISE OF HEALTH INSURANCE

Increasing penetration of health insurance will increase power of insurance companies to decide inclusion or exclusion of drugs in re-imburement list. It is expected that the total population covered under health insurance will increase from 2.3% in 2007 to 20% by 2015. The possible emergence of a drug re-imburement list by Indian insurance companies cannot be ruled out, which may eventually lead to dictating the business terms by insurance companies to pharma players.

- Companies like ICICI Lombard are now eyeing to launch disease specific insurance covering cost of medications as well. One such policy, called Diabetes Care, is already in the market.



Including insurance companies as a key stakeholder in Pharma commercial model products will increasingly become crucial.

Each of the above trends will impact the pharma sales model in their own way, paving the way for new commercial models in the pharmaceutical industry. Industry also seems to acknowledge these trends as one industry executive stated, “Sales structures will evolve to manage new channels like corporate hospitals or modern format retail. Government policies, payers and healthcare providers will influence the sales models of pharma play-

ers,” while another mentioned “Sales force will have to manage end customer connect besides marketing brands to doctors”. Another executive feels patients will gain more importance in future, saying, “Most companies will have focused approach and work towards better customer service leading to patient benefit.” OPPI-IMSCG feels that as the momentum of evolution of these trends gather pace, so will the evolution of pharma commercial models in the next decade. With these changes, the industry has witnessed an emergence of the concept of SFE – Sales Force Excellence.

### ADAPTING NEW COMMERCIAL MODELS

Emerging trends in healthcare delivery will force the pharma players to re-think about their go-to-market strategy. Some key questions to ask are:

- Is my current sales model sustainable in the future?
- Is my current sales model optimal for future market scenario?
- How should I evolve and adapt to these changes?

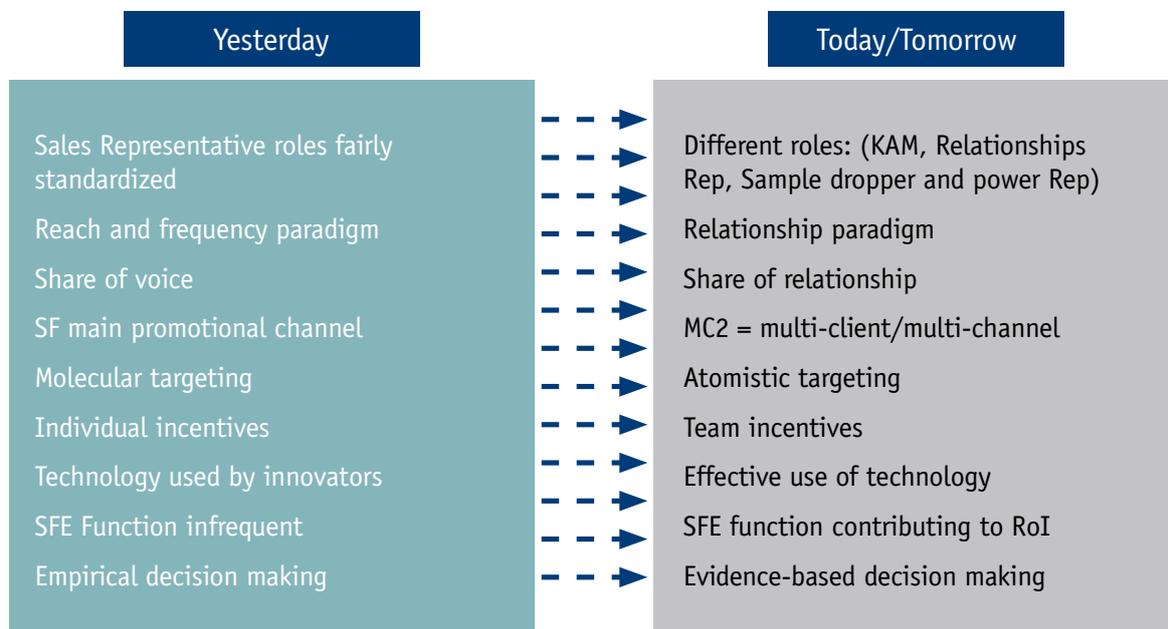
Answers are not easy to come by, but a few companies will lead the way. According to the OPPI-IMSCG study, key players in the industry believe that adaptation of current sales model will be a must for survival. With the emergence of innovative sales models like key account management, hospital task force, channel management, therapy specialist, and media promotion, it is clear where sales models are heading. Companies

are seriously looking to have a dedicated team for rural markets. Each of these models clearly points towards targeted approach to new stakeholders, though it’s too early to predict the nuances of each of the models.

The role of existing resources will also evolve from mere touch points with customers to engaging final consumers and managing the health of the patients. One industry executive points out, “Pharma sales structure will slowly move towards a more scientific dialogue between the sales force and the doctor. This would require highly trained MRs with good ability to engage doctors more effectively.”

This question will be even more pertinent going forward; especially keeping in mind how difficult it is getting to find good talent in the market and how to make existing talent more effective and productive through skill-set enhancement.

Figure 7:





The OPPI-IMSCG study predicts the gradual shift of the traditional approach of meeting the customer, to future approach of relationship building and engaging with customers. Much will change. “Managing the patients together” is perceived to be the key to success. Delinking the role of sales force from stockist management will help sales teams to focus exclusively on customers. Engaging multiple stakeholders through multi-channel promotion and touch-points will be the crucial. Segmenting the customers, from current Potential-Support Model to more evolved models like Behavioral Segmentation will provide the cutting edge to the players. e-detailing, e-seminars, e-doctor meetings, and online awareness campaigns will drive the patient flow to the healthcare system. Thus, KPIs for the sales forces may evolve as well.

Industry experts also predict that evolving and harvesting newer touch points with patients will be a key to success. Study of patient flows in healthcare is likely to gain importance. Not only will patient flow study impact the sales model, it will also impact the portfolio choice for the players. An industry executive pointed out, “Key Account Management will have increasing importance for MNCs with pipeline of patented products and strategic partnering initiative will also impact sales models.”

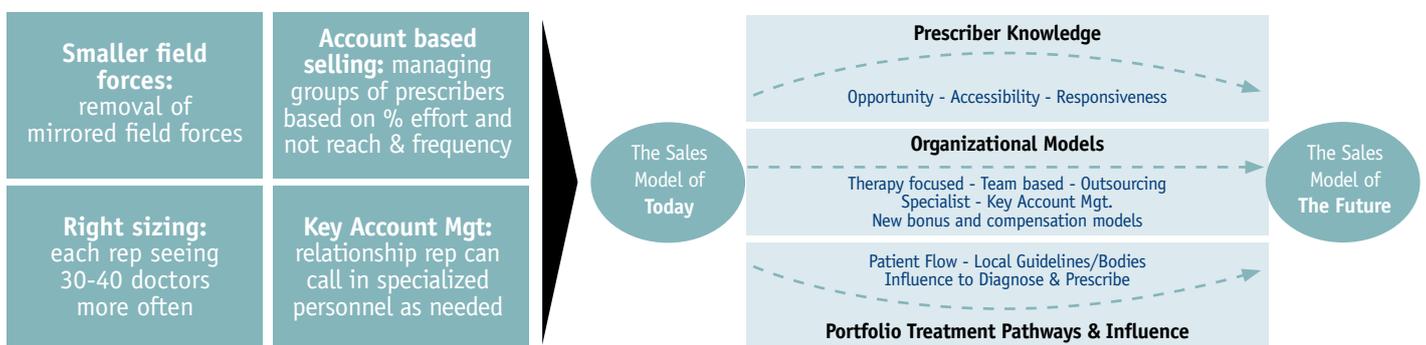
Within the last 5 to 6 years, companies have also created a dedicated SFE function, with the purpose of improving the productivity of the sales forces. The role of SFE is expected to evolve strongly over the next 5 years, involv-

ing in-depth analytics so as to lead to scientific decision making; from coordinating sales force activities to managing ROI through informed decision making with an end objective of improving efficiencies of existing systems.

As one executive said, “There will be a concerted focus on SFE. Analytics will take over an important role in deciding sales force size and predicting sales forecast.” Measures of success will shift from PRPM model to carry-over models, thus, each incremental sales rep being added to sales force will have its own justification. With eroding product differentiation the sales and marketing capabilities will be the key differentiator. The Indian pharma industry will need to develop sales force competency and elements of SFE will take the driving seat. The reward systems will incorporate balance of sales achievement with equal emphasis in effort parameters.

Considering that the largest resource allocation in companies takes place on sales teams, it becomes important that SFE as a function be evaluated more seriously. In order to institutionalize the discipline of SFE, companies will need to build capabilities for an enterprise-wide SFE setup which will be actively engaged in enabling investments into innovative and hybrid sales models or demand generation models. To do this successfully and build a better business case for the same, companies will need to closely examine how investments are channelized into each of the various initiatives – balancing financial rigour with overall implementability.

Figure 8:



MNCs are expected to lead the change and that trend of micro-targeting has already begun. Companies like MSD, Sanofi-Aventis, and Roche have shown that value, and not cost, drives the healthcare choice. Januvia, (though much lesser than international price) is priced much higher and

entered recently in the market, has already clocked sales of >Rs 100 crs. Thus, its well said by a pharma executive: “The way of marketing differentiated products, depending on their life cycle stage, will be of utmost importance. Newer ways of promotion too will have to be considered.”



# Conclusion

Declining effectiveness of current sales models will only lead to emergence of newer approaches in pharma selling. Though the approaches will vary vastly from company to company, the trend has already started. Pharmaceutical players should seriously start evaluating their options and envisage how their sales models should evolve in the next 10 years to maintain their competitive edge. Where does the future lie? Is KAM the solution, or is it the CSO that will emerge? Will channel management gain most

importance? To what extent should market coverage be increased? How would one need to balance this with cost effectiveness? The answers will emerge only with the time, but with market maturing, patients actively seeking healthcare, and newer stakeholders emerging, another round of adaptation in pharma sales model is inevitable. No single business model may suffice in future. The future will belong to hybrid business models, with different structures co-existing together.

*We would like to acknowledge the contributions of the following OPPI – SFE Committee Members :*

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*Mr. Vinay Gokhale, Vice Chairman, OPPI SFE Committee and Sales Training & Development Manager, Abbott India Ltd.*

*Mr. Sekar Sabapathy, Member, OPPI SFE Committee and Senior Director – Cardiology & Hospital BU, Aventis Pharma Ltd. (Group Sanofi Aventis).*

*Mr. Biplab Chatterjee, Member, OPPI SFE Committee and Vice President – Sales, Solvay Pharma India Ltd.*

*Mr. Partha Ghosh, Member, OPPI SFE Committee and Director, Commercial, Pfizer Ltd.*

*Mr. Vivek Padgaonkar, Director, OPPI.*

## ABOUT IMS CONSULTING GROUP: INFLUENCING THE FUTURE OF GLOBAL HEALTH

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- To Influence the Future of Global Health!

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