Emerging Indian OTC Markets

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Abstract— India is one of the emerging markets which is offering significant growth potential for the industry. The domestic Indian pharmaceutical market has a positive growth path but is facing major transformational challenges in the present scenario. The Indian Pharmaceutical Industry is one of the science based industries with wide ranging capabilities in the complex field of drug manufacture and technology. This has even been defined as a highly organized sector. It ranks very high in terms of technology, quality and range of medicines manufactured as the medicines vary from simple headache pills to sophisticated antibiotics. The present study includes a glance of global Pharmaceutical industry with more insights into OTC markets with a focus on changing scenario as well as strategies with changing customer needs and the environment.

Keywords - OTC, Marketing strategies, Direct to customer approach, Self medication

I. INTRODUCTION

The Pharmaceutical market [1] is considered to be one of the emerging markets with a huge potential in terms of opportunities as well as growth. This is one of the sectors which is least affected by recession and may provide ample employment to Indians. The industry is related with severity of various ailments and medicines being produced. As the life is becoming more busier as well as more stressful, the ailments and diseases are increasing day by day whether acute or chronic and hence is the Pharmaceutical industry. OPPI 46th Annual report [2] states that the Pharmaceutical industry in India is growing at around 16% per annum. Currently, India ranks 3rd in terms of volume of the global pharmaceutical market. India accounts for 1.5% of the total global pharmaceutical production by value. The Indian pharmaceutical sector directly employs around 4 million (direct 1.5 million and indirect 2.5 million) people and has contributed towards economic growth of the country even during recession. The Indian Pharmaceutical industry is on the threshold of becoming a major global market by 2020. The Industry has the potential to grow at an accelerated 15 to 20% CAGR for the next 10 years to reach between US$49 billion to US$74 billion in 2020,[3] The Indian markets are developing markets especially for Pharmaceutical industry with a huge potential for growth and development for existing and new medications in the near future. The main objectives of study are:

- To understand OTC markets as emerging markets and growth drivers of Pharmaceutical industry
- To study emerging marketing concepts of the Pharmaceutical companies in OTC markets
II. LITERATURE REVIEW

McKinsey & Company (2005) reviewed that Pharmaceutical companies scan for new growth opportunities over the next decade. In recent times, the pharmaceuticals industry has shown high interest in India due to its sustained economic growth, healthcare reforms and patent related legislations. With increasing stressful lifestyles, affordability and shifting disease patterns, the total consumer spending on healthcare products and services in the country grew at a compounded annual rate of 14% from 2000 to 2005 and the pharmaceutical industry grew at the rate of 9% during this period. McKinsey Report (2005) states that if the Indian economy continues on its current high growth path, the Indian Pharmaceuticals market will triple to US$20 billion by 2015 & move into the world's top 10 pharmaceuticals market. OPPI Report (2011-2012) states that the Indian economy and the Pharmaceutical industry are not just closely linked but also inseparable partners in the Indian growth story. CII Pharma Summit (2010) states that currently around 67% of India’s Population or 742 million people live in rural areas, but rural markets contribute to only 17% of the overall market's sales. Some of the reasons for self medication are high consultation fees, quick relief, lack of time, easy availability of medicines as well as belief in Ayurveda.[4]

III OTC MARKETS

OTC markets comprise of over the counter markets which include those medicines which are being sold without a prescription to the customers. ‘OTC Drugs’ means ‘Over The Counter’ drugs or medicines that are legally allowed to be sold without the prescription of a Registered Medical Practitioner. OTC drugs are covered under the Consumer Healthcare segment of Pharma companies. They can even be said as those medicines that are not included in the list of ‘prescription drugs’ are considered as non-prescription drugs or OTC drugs. Normally a patient should have a prescription before purchasing any medicine but those medicines for which a patient does not need a prescription and medicines which can be sold directly to a consumer without a prescription are known as OTC Drugs. The list of OTC drugs is increasing day by day but some of the top OTC brands in India are Dabur Honitus Lozenges, cough syrups, Vicks Vaporub, Zandu Balm, Iodex, Moov, cough drops and lozenges etc. OTC medicines in the market may be either pure play OTC medicines or prescription to OTC medicines. Pure Play OTC Segment includes those medicines which are under the category of nonprescription drugs since they had been introduced into the market. Eg cough lozenges etc Such products are produced in such a way so as to cater primarily to the OTC markets under consumer healthcare segment. Prescription to OTC drugs are those medicines which had been the prescription medicines but later on entered into the non prescription drugs. Eg Cough syrups which contain strong active ingredients but nowadays has moved to OTC segment due to their higher safety profile. Conversion from prescription to OTC takes number of years. OPPI 2011 report states that the Indian Consumer Healthcare segment for pharmaceuticals is currently estimated at over USD 3 billion comprising mainly prescription to OTC and pure play OTC segments and the segment is expected to grow at 14 to 16% to become a USD14 to 18 billion market by 2020. (Indian Pharma 2020 McKinsey). The consumer healthcare segment in the Indian Pharmaceutical Industry has a huge potential for growth and is one of the emerging markets which could be tapped for market development in the near future for pure play OTC products.
Key categories of medicines with high OTC potential in India are[5] :

• Vitamins and minerals
• Cough and cold
• Gastrointestinals
• Analgesics /Dermatological

Nowadays even Antiobesity drugs and Antistress candies are emerging as OTC medicines in India.

A. The Indian economy and Global Pharma Industry

As it has already been stated that the Indian economy and the Pharmaceutical industry[2] are closely linked to each other, in fact they are inseparable in the India growth story.

1. Indian Economy: Indian economy has almost quadrupled in size since 1991, growing at close to an average of 7% and is expected to record a GDP growth of around 6.5% for the year 2012-13. According to the World Bank report on global economic prospects, “India will see growth increasing to 7.2% and 7.4% in fiscal years 2013-14 and 2014-15.”

2. World Pharmaceutical Market: 2011

<table>
<thead>
<tr>
<th>No</th>
<th>Country</th>
<th>USD Bn.</th>
<th>% Share</th>
<th>Val Gr</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Global Pharma Market</td>
<td>847</td>
<td>100.0</td>
<td>5</td>
</tr>
<tr>
<td>1.</td>
<td>USA</td>
<td>322</td>
<td>38</td>
<td>3</td>
</tr>
<tr>
<td>2.</td>
<td>Japan</td>
<td>100</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>3.</td>
<td>Germany</td>
<td>43</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>4.</td>
<td>France</td>
<td>41</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>5.</td>
<td>China</td>
<td>40</td>
<td>5</td>
<td>23</td>
</tr>
<tr>
<td>6.</td>
<td>Italy</td>
<td>28</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>14.</td>
<td>India</td>
<td>12</td>
<td>1</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: IMS Knowledge Link Global Sales 2011

As per the World Pharmaceutical Market: 2011, though India has the lower share as compared to USA, Japan and other countries but at the same time, this reflects the Indian market with a huge potential of being emerging markets.

India has a lower share in the existing market but poses a higher growth in terms of potential and development of the Indian markets. Looking at this perspective of ever growing markets, most of the companies are moving towards the Pharmaceutical industry and those existing in the industry are coming out with creative strategies to tap the untapped markets. Many Pharmaceutical companies, especially the consumer healthcare segments are coming up with innovative marketing strategies to capture the market share as high as possible. Indian Market has been considered as an emerging market in terms of potential and opportunities for growth and development specially for
Pharmaceutical consumer healthcare products as compared to the developed markets and it has been observed that emerging markets grow faster than developed markets.

**B. Emerging Markets growing faster than developed markets**

India is one of the emerging markets among Asian countries. Emerging markets are offering significant growth potential for the industry.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Emerging markets</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Asia/Australia/Africa</td>
<td>15.90</td>
</tr>
<tr>
<td>2</td>
<td>Latin America</td>
<td>10.60</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>7.60</td>
</tr>
<tr>
<td>4</td>
<td>North America</td>
<td>5.50</td>
</tr>
<tr>
<td>5</td>
<td>Europe</td>
<td>4.80</td>
</tr>
</tbody>
</table>

Source: IMS Health market prognosis, March 2010

The IMS Health market Prognosis [2] March 2010 reveals that the emerging markets of Asia/Australia/Africa are growing at a higher rate of 15.9% in 2009, as compared to much slower growth rates in North America (5.5%), Japan (7.6%) & Europe (4.8%). Emerging markets specially the Asian countries are the growth drivers for the Pharmaceutical industry in the next decade. Looking into the growth perspective, even Global Pharmaceutical companies adopted strategic initiatives to further expand their presence in emerging markets such as Brazil, India, China, Mexico and Turkey.

**C. Indian Pharmaceutical Industry**

The Indian Pharmaceuticals market is witnessing dynamic changing trends such as large acquisitions by multinational companies in India, increasing investment by domestic and international players in India, deeper penetration into the rural markets, growth and availability of healthcare and incentives. The domestic formulation market has grown from USD 11.4 billions in 2010 to USD 12 billions In 2011 registering a growth of 16% and is expected to record a CAGR of 15.7% for the period 2010-2015, as per the IMS Prognosis Report 2011. The Indian Pharmaceutical Market has grown in multiples of 1.8 to 2 times of the GDP growth. In 2011, the Indian pharmaceutical retail market recorded a turnover of INR 538 billions Growing at 15% (IMS SSA, MAT Dec 2011).

As the Indian Pharmaceutical market is changing as per the changing trends, the Pharmaceutical companies are coming up with strategic initiatives so as to capture the existing market share and to tap the opportunities in future.

**IV VISION AND STRATEGIC PLANS**
Marketing strategies represent the plan by which the firm delivers its value to the customers. Marketing strategy enables the business units to attain its marketing objectives[7]. These strategies contribute to growth of the OTC segment in consumer healthcare.

**A Push to Pull Market Concept**

A commonly shared vision can provide guidance and direction in the decision making process. The pharmaceutical industry is changing at a faster pace. The older concept of push markets has changed nowadays and the Pharmaceutical market has been considered as a pull market. The OTC market segment has been considered as a strong growth driver for the industry and even treated similarly to FMCG sector.

**B Access to untapped rural markets**

India is home to approximately 1/6th of the world’s population, and is expected to become the most populous nation in the world by 2050. It has already been stated that currently around 67% of Indian population live in rural areas but rural markets contribute to only 17% of the sales, which represents a huge opportunity as the future growth drivers because rural markets are still unexplored markets for OTC medicines. Even Pharmaceutical companies are coming up with separate set of strategies for rural and urban areas for increasing the existing market share.

**C Direct to Customer Approach**

As the pharmaceutical markets has been categorized as highly organized sector, even Pharmacy retail chain concept has been introduced which include retail chains such as Apollo Pharmacy, Guardian Pharmacy etc along with independent stores. The Pharmacy retail stores follow Direct to customer approach where customer is informed about product by any influential media.

**D Sachet concept**

The Sachet concept has been introduced into the market for increasing the number of prospects for a particular product usage. The concept in OTC products is applicable for throat lozenges, medicated ointments and creams etc which has been introduced as smaller packs for trials in urban as well as rural markets.

**E Value for money concept**

The value for money concept even supports for increasing the number of prospects in the market in consumer healthcare. Introduction of value for money concept with economy packs and single dose stock keeping units which are more easily acceptable by the customer.

### V SOME OTHER REASONS FOR GROWTH OF OTC MARKETS

- Purchasing Power Parity
- Wider distribution channels
- Direct to customer advertisements
- Low price controls
VI PRESCRIPTION TO OTC SWITCH

Indian OTC healthcare is in nascent stages and ranks 11th in the global OTC market. The urban India is catching up with the concept of OTC more as compared to rural areas and reasons are the advent of technology, improving literacy levels, increasing health awareness and high work stress levels. In fact, Indian consumers are confident about sharing healthcare responsibility, especially in case of common ailments. Considering the changing mindset and likely changes in regulatory framework, such as, OTC guidelines and open distribution, it is expected that within the next ten years, India will become a major contributor to the world of OTC market. Currently, aches/pains, cough, colds, hyperacidity, minor topical infections, and indigestion are major OTC categories. Emerging categories include cuts, wounds and burns, muscle pains and sprains, diarrhea and constipation. An analytical interpretation of various data placed the focus on vitamins, cough & cold, antacids, antipyretics and NSAIDs as opportunity areas for switch in India. From the industry viewpoint, the OTC market is one of the emerging markets with a good growth rate which could be tapped in various ways.

VII CONCLUSION

Indian markets are one of the emerging markets as the markets have a huge scope for development specially in context with Pharmaceutical industry. The growth drivers are emerging markets and rural markets. The consumer healthcare sector in Pharmaceutical industry is growing at a higher pace especially in terms of OTC markets. As the OTC markets are growing with a huge potential, even pharmaceutical companies are coming up with more innovative strategies to capture the untapped markets. As the OTC markets are growing, it means customers are indulged in self medication but the self medication which is increasing day by day in the informed consumers can lead to serious consequences due to severe side effects. Even the same has been reported for anti obesity drugs which had been put as OTC medicines. As the list of OTC medicines is increasing day by day, code of ethics should be introduced by the government so that the marketing practices for such markets should be controlled.

REFERENCES