Retailing Trend and Retailers Perception A Study on Pharma Industry.

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Abstract
To Market the products knowing the consumers is not the only part for the companies, Also they have to concentrate the channel members. "Consumer is king", the statement carries profound truth in it. Today the success of any firm depends upon consumer satisfaction. To contact, to convince, to stimulate the consumers, help of retailers is most important. Retailers are considered as main source to contact all kinds of consumers irrespective of market areas like rural, urban, & semi-urban. Retailers' perception is playing a pivotal role for gaining consumer attention. This study deals with the retailing trend and perception of retailers towards Pharma industry.

Introduction

Indian Pharma market

The total Indian healthcare market is estimated to be worth US $ 30 billion and includes pharmaceuticals, healthcare, medical and diagnostic equipment, and surgical equipment and supplies. Revenues from the healthcare sector account for 5.2 per cent of the gross domestic product (GDP) and it employs over 4 million people. Private spending accounts for almost 80 per cent of the total healthcare expenditure. The Indian pharmaceuticals market is typical in the sense, that the pharmacist has a great control over brand availability. Hence, this market is a combination of over-the-counter and prescription (OTX).

The Indian pharmaceutical sector is emerging as one of the major contributors to Indian exports with export earnings rising from a negligible amount in early 1990s to Rs.29,139.57 crores (US$7.24bn) by 2007-08.

The exports of Drugs, pharmaceuticals & fine chemicals of India have grown at a compounded annual growth rate (CAGR) of 17.8% during the five-year period 2003-04 to 2007-08. The Indian domestic pharmaceutical market size is estimated at US$10.76bn in the year 2008 and was expected to grow at a high CAGR of 9.9% percent till 2010 and thereafter at a CAGR of 9.5% till 2015. The global pharmaceutical exports to major exporting countries of the world in 2006 are presented in table below:

Global Pharmaceutical Exports by Major Countries (figs. in US$ bn.)					
Germany	Belgium	Switzerland	USA	UK	India
44	38	31	29	26	7.2

Source: WTO

Trends in Indian pharmaceutical industry

The Indian retail pharmaceutical market size is estimated at US$7.8bn in the year 2008 and is expected to grow at a high CAGR of 9.9 percent till end of 2010 and thereafter at a CAGR of 9.5 till 2015.

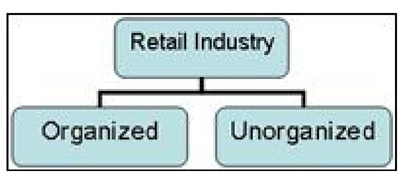
Estimated Indian Retail Pharmaceutical Market size

Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
US$ bn.	5.3	6.2	6.9	7.8	8.7	9.9	11.1	12.2	13.4	14.6	16.0

Source: EIU Report, Data monitor, primary interviews, Deloitte Consulting LLP Analysis.

Indian - Pharma retail

India has 12 million retail outlets. The retail sector is the second largest source of employment and the job market is hugely receptive to retailing expertise as more and more B-schools are now focusing on the sector and large retailers are setting up retail academies. It is estimated to create 50,000 jobs a year in the next five years.



The retail market in India is estimated at Rs.5,88,000 crore. Of this the unorganized market is worth Rs.5,83,000 crore and the organized market is Rs.5,000 crore.

According to various estimates, Indian pharmaceutical retail segment is expected to grow at 11 percent over the next five years. Getting down to numbers, there are almost 8,00,000 pharma retailers in India, dispensing about $5 billion worth of pharma products per year. India ranks 13th in the world pharma market in value and 4th in volumes. The pharma market is roughly around Rs 38,000 crore per annum. If we add to it the healthcare and beauty care segments, it works out to Rs 45,000 crore per annum. Out of this, organised pharma contributes just Rs 400-600 crore which is roughly 1.5 to two percent of the total market size with players such as Apollo Healthcare, Medicine Shoppe, MedPlus, Guardian Pharmacy and Subhiksha.

There are approximately 25 organised retail chains in India, and still increasing, contributing to three percent of the market. However, this number is expected to increase due to the growing awareness about health and wellness which has increased the average consumer spend on health from eight percent to 20 percent in just two decades. In the last ten years, organised players have made a foray in pharma retail business, which was traditionally about 'Mom and Pop' stores, but their share of the market is less than one percent. Though, hospital chains, few pharma companies and big retailers have emerged, the retail segment largely remains a fragmented sector with its own set of challenges.

Key growth drivers

There are a wide range of factors fuelling the growth of this vibrant sector. First, the growth in population in terms of sheer numbers will translate into additional demand for medicines. Second, the strong economic growth profile of India in the past few years has had positive impact on the income demographics, leading to the emergence of affluent middle class having greater accessibility & affordability for healthcare facilities and medic are. Citing other factors contributing to the increasing net retail pharma industry in India, Dipta Chaudhury, Program Manager-Pharma and Biotech Practice (South Asia, Middle East & North Africa), Frost &Sullivan, elaborates, "Health insurance is also growing in India, with more private insurance providers offering increasing coverage, thereby driving the growth of pharma retail. The rural market is also growing strong in the country, providing the required boost to pharma retail. Also, the emergence and expansion of organised pharma retail is also providing a much needed impetus. In addition, p h a r m a c e u t i c a l companies are vitalising the pharma retail sector by launching novel drugs with no or small time lag between global and Indian launches. Further, most of the recent launches are taking place in segments of oncology, cardiovascular, neurology, autoimmune diseases, etc, which are expected to grow stronger in India."Besides, the Indian healthcare sector is also making significant impact with the introduction of personalised care & services. Such factors are also known to set the pace of the pharma retail sector.

P B Ramamoorthy COO - Pharmacy Retail (Country Head- Operations), Apollo Pharmacy Retail Private labelling is one of the trends that may become popular in future. It represents an effective way to be competitive by differentiating one's store and one's brand.

This concept would result in increase in the number of repeat customers once private labels in different categories are established.

Avers Majumdar, "The healthcare sector in India is getting more sophisticated than it was earlier. The services side of the healthcare industry is growing substantially and rapidly. In a sense, pharma retailing is a proxy for the healthcare sector. Therefore, it will grow accordingly. Also, the disease profile in India is changing from infectious diseases to lifestyle diseases, which require more intensive care. This will entail medication on an ongoing basis, Which will in turn make prescription based medicine mandatory."Moreover, in the current scenario, life expectancy has increased considerably, which is another reason to boost the sales volume of this sector.

Devarati Majumdar, Chief-Pharmacy, Max Healthcare Inst Ltd, says, "Today, there are approximately 8,00,000 pharmacies in India, which include about 60,000 distributors. The segment is extremely fragmented and has its own set of challenges. Pharma retailing can be segregated into two parts, wherein chemists form the primary part, and pharma companies that are selling medicines through institutions like hospitals comprise the second part. Although hospitals are not classified as such, ultimately, the product is being sold at retail."
Also, presently, the contribution of the organized pharma retail segment towards this sector is minimal, about two per cent of the retail market. However, with the organized sector maturing, this scenario is expected to change.

Problems faced by retailers

The organized retail industry in India is faced with stiff competition from the unorganized sector, there is a shortage of quality real estate and infrastructure requirements in our country, Opposition to Foreign Direct Investment from small traders affects retail industry, Very high stamp duties on transfer of property affect the industry, Shortage of retail space in central and downtown locations also hinders the growth of retail industry, Presence of strong Pro-tenancy laws makes it difficult to evict tenants and this is posing problems, Land-use conversion is time consuming and becoming complex, for settling property disputes, it consumes lot of time, rigid building laws makes procurement of retail space difficult, Non residents are not allowed to own property except they are of Indian origin, Prohibition of Foreign investment in real estate business, Customs duties are levied on import of goods in India.

The organized retail industry is also facing problems from traders, politicians and the government has to formulate a separate policy for the industry.

FDI needs to be encouraged and land acquisition rules required modification.

Retail has to be recognized as a separate industry and to be given fair treatment by all.

1. No economies of scale to small medical stores: These small stores buy in small quantities from drug distributors with higher prices with no schemes thereby it reduces profit margins

2. Small geographic area: These small retail medical shops operate from small lanes and by-lanes where it could cater to limited range of patients who belong to those surroundings only. This results in lower turnover of sales resulting in lower profits.

3. No home delivery services: These small medical shops generally run on low man power or sometimes run as a family business and therefore cannot effort to hire persons for home delivery of medicines.

4. Winding up of medical shops: Notwithstanding the business threats from large pharma chain stores most of these stores close their stores by sustaining huge loses.

5. Losses from expiry of medicines: New formulas are frequently launched into the market and doctors always want to try new formulas on patients thereby sales of old formulas are slowed down which causes huge quantity of expire of medicines which in turn result in heavy losses.

6. Discounts cannot be offered: Small medical shops buy in smaller quantities and cannot avail the advantage of various schemes on quantity purchases, there by their unit purchase prices are higher and cannot offer discount to patients/ customers.

Objectives of the study

- To find out retailer perception on Pharma Industry.
- To find out the retailing trend in Pharma Industry.
- To identify retailer's preferred factors for running the business.
- To find the attribute which highly influence the retailer.

Sources of data

Data was gathered mainly from primary sources.

Data from primary sources have been collected mainly by conducting survey with the help of structured, undisguised questionnaire.

The survey was done in the Coimbatore district, Tamil Nadu, India.

Sample

The elements were chosen non-probabilistically as per the "Convenience sampling" approach. The respondents are infinite in numbers. The number of respondents selected was 150. The study area is broadly classified in to three Locations such as Urban, Semi-urban and Rural.

Limitations

- The study is based on the attitude and preference of respondents. This attitude may change.
- The sampling size of retailers is one hundred and fifty. This does not represent the exhaustive population of respondents.
- This study was restricted to Coimbatore district only.
- Some time the wrong opinion expressed by the respondent can also affect genuinity of the results.

Tools used in Analysis of Data

The following statistical tests were used to analyse the data collected:

1. Percentage Analysis
2. Chi-Square Test

The square of a standard normal variate is called chi-square variate with 1 degree of freedom, i.e., if x variable is normally distributed with mean^{m} and standard deviation $\{(X-M)/O\}^2$ is a chi-square variate with 1d.f abbreviated by the letter X^2 of the Greek Alphabet).

If x_1, x_2,……x_n are n independent random variables following normal distribution with mean^{m}, and standard deviation O respectively, then the variate,

$$X^2 = \Sigma (O - E)^2 / E$$

which the sum of squares of n independent standard normal variate, follows Chi-square distribution with v degrees of freedom.

The chi-square, denoted by the Greek letter X^2, is frequency used testing hypothesis concerning the difference between a set of observed frequencies. In other words, a test statistic which measures the discrepancy between observed frequencies E_1,E_2,………E_n is called Chi-square(X^2) statistic.

Where E = $\dfrac{\text{Row Total * Column Total}}{\text{Grand total}}$

Ranking test

In the ranking test several traits of factors are measured. Based on the factors, ranks 1, 2, 3… were given to each factor. Then for finding out the total weightage, based on the number of ranks, points were given to each rank. And then the rank, which has the highest weightage, is considered as the most preferred factors and Vice versa.

Location of retail outlets

Location	No of Retail Outlets	Percentage
Rural	9	6
Semi-urban	41	27
Urban	100	67
Total	**150**	**100**

a.

Inference

Out of the surveyed samples, 6% of retail outlets are located in rural location, 27.5% are located in semi-urban location and the rest 66.5 are in urban location.

Store location is important

Particulars	No of Retailers	Percentage
YES	108	72
NO	42	28
Total	**150**	**100**

Inference

From the above table it is cleared that 72% of retailers agrees that location of the store is most important and 28% feels that location has no importance. It is inferred from the opinion of retailers.

Confidence interval test

The above data should be applied for the whole universe. For this purpose, confidence interval and standard error have to be calculated.

Where P = percentage of retailers having feel of importance of store location.

Q = percentage of retailers having no importance.

N = Total number of samples surveyed.

P=0.72%

Q=0.28%

2. **N=200**

S.E = √ PQ / N

S.E = 0.72*0.28/200 = 0.032

95% confidence limit = P ± 1.96 S.E

0.72 ± (1.96*0.032)

= 0.67 to 0.783

Hence it can be interpreted that @ 95% confidence level the percentage of retailers having feel for importance of store location ranges from 0.67 to 0.783.

ATTRIBUTES INFLUENCING RETAILERS TOWARDS VARIOUS PHARMA COMPANY PRODUCTS

Attributes	Rank									Total	Points	Position
	I	II	III	IV	V	VI	VII	VIII	IX			
Quality	6	9	5	17	18	33	24	39	1	150	830	**V**
Availability	3	13	18	30	20	13	3	0	1	150	1186	**IV**
Price	0	0	2	8	13	21	27	23	6	150	689	**VIII**
Non-monetary incentive	0	2	4	11	23	16	24	16	5	150	782	**VII**
Advertisement	0	4	7	13	20	12	17	16	12	150	788	**VI**
Demand	65	21	6	4	1	2	2	1	0	150	1662	**I**
Profit margin	16	50	14	8	3	2	2	3	2	150	1452	**II**
Credit facility	13	06	44	13	6	10	4	2	2	150	1278	**III**
Packing	0	1	2	2	3	2	5	15	71	150	333	**IX**

Inference

It is understood from the table that attributes demand ranks first, in influencing the retailers towards a brand. Profit margin ranks second, credit facility ranks third, Availability ranks fourth, quality of the product ranks fifth and followed by the other factors.

Chi- square test

To test whether the retailers' frequency of purchase is dependent (or) independent of the monthly sales.

Null Hypothesis (H_0) = The frequency of purchasing is independent of the Monthly Sales.

Alternate Hypothesis (H_1) = The frequency of purchasing is dependent on the monthly Sales.

Frequency of purchase / Monthly sales	Weekly	Fortnightly	Total
50-100	20	10	30
100-200	21	3	24
200-300	40	10	50
300&above	39	7	46
Total	**120**	**30**	**150**

S.No	Observed frequency	Expected frequency	$(O-E)^2$	$(O-E)^2$	$\frac{(O-E)^2}{E}$
1.	40	47.79	-7.79	60.684	1.27
2.	19	11.21	7.79	60.684	5.41
3.	43	38.07	4.93	24.305	0.638
4.	4	8.93	-4.93	24.305	2.722
5.	40	39.69	0.31	0.0961	0.0024
6.	9	9.31	-0.31	0.0961	0.0103
7.	39	36.45	2.55	6.502	0.178
8.	6	8.55	-2.55	6.502	0.760
Total					**10.99**

X^2 calculated value = 10.99

X^2 Tabulated value = 5.991

Degrees of freedom = (r-1)(s-1)(-k)

=(4-1)(2-1)(-1)

=2

X^2 calculated value > X^2 tabulated value

Reject Hypothesis

The frequency of purchasing is dependent on monthly sales.

Managing expiries is a problem

Particular	No of Retailers	Percentage
YES	54	36
NO	96	64
Total	**150**	**100**

Inference

From the above it is noted that 36% of retailers feels that managing expired stocks as a problem and 64% of retailers doesn't give feels so.

a.

b. Confidence Interval test

For using the data to wider areas of application confidence interval and standard error has to be calculated.

P = Percentage of retailers thinks managing expiries as problem.

P = Percentage of retailers not thinking so.

N = Total number of samples surveyed.

P = 0.36%

Q = 0.64%

N = 200

S.E = √ PQ / N

S.E = 0.36 * 0.64 / 200 = 0.034

95% confidence limit = P ± 1.96 S.E

0.36 ± (1.96*0.034)

= 0.293 to 0.427

Hence it can be interpreted that @ 95% confidence level the percentage of retailers thinks managing expiries is a problem ranges from 0.293 to 0.427

Frequency of Purchase

Frequency	No of Retailers	Percentage
Weekly	121	81
Fortnightly	23	15
Monthly	6	4
Total	**150**	**100**

Inference

It is evident from the above table that, 81% of retailers are Buying weekly, 15% are buying fortnightly and 4% are buying monthly manner.

IMPORTANT FACTOR IN PHARMA RETAILING

Factor	I	II	III	IV	V	VI	VII	VIII	Total	Points	Position
Store Location	150	0	0	0	0	0	0	0	150	1600	**I**
Credit from Company	0	29	17	42	4	6	2	0	150	1106	**III**
Credit to Customers	0	1	18	12	16	28	23	2	150	743	**VI**
Doctor's Prescription	0	62	16	12	3	12	1	1	150	1236	**II**
Working Hours	0	0	5	23	58	9	5	0	150	828	**V**
Door Delivery	0	1	2	8	10	35	27	18	150	544	**VII**
Availability of Medicines	0	8	41	3	7	1	40	1	150	854	**IV**
Others	0	1	0	1	2	16	3	78	150	288	**VIII**
Total	**150**	**150**	**150**	**150**	**150**	**150**	**150**	**150**			

Inference

The table shows that Store location ranks first, Doctor's Prescription ranks second, Credit from company ranks third, Availability of Medicines ranks fourth, Working Hours ranks fifth and followed by other factors.

Findings from Retailers Survey

- It has been found that majority of retailers feels that store location is important for pharma retailing. (72%). The monthly sale is dependent on the location of the outlet.
- Retailer was highly influenced by the demand of the product in purchasing a particular product from the company.
- From the market survey it is clear that 36% of retailers are facing problem with management of expired stock.
- Most of retailers are buying in a weekly frequency.
- Store Location ranks first as a factor in pharma retailing from the view of retailers.

3. Conclusion

India and China are the two most promising markets for pharma retailers, but the Indian market is unique as it has the largest middle income consuming population, many of whom suffer from chronic ailments. Over the next five years as baby boomers start ageing, consumption of chronic as well as preventive medications will increase. Pharma retailers hope to expand their market share significantly, and are going all out to woo this segment in the market.

Even though Indian markets register growth, problems like multiplicity of formulations, lack of effective regulatory mechanism, inadequate return on investments, lack of due recognition as a service provider, mushrooming growth, particularly in the urban areas, and ill equipped personnel are some of the key concerns of the retail segment. The need of the hour is to have an effective regulatory mechanism and uniform implementation to tackle the issue of multiplicity of formulations and effective enforcement, and also to encourage investments by providing higher returns as well as a provision to charge service fee when prescriptions are dispensed. However, the existing

Drugs and Cosmetics Rule to curtail mushrooming growth is vague. If the problematic circumstances are reduced the industry will grow.

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