A Study on Consumer Behavior for OTC Medicine Segment

Abstract

The current research is aimed at understanding the consumer's attitude towards OTC products of the pharmaceutical industry and to find out the key factor on which the consumers rely for making their purchase decision regarding OTC products. Population of the research is the consumers who are well aware of the OTC products and who are above 18 years of age. Descriptive Research design and Convenience sampling technique was used to elicit the information from 100 respondents. Researcher has contacted sampling units personally and with the help of one to one interaction. The location considered by the researcher is major cities of Gujarat state.

Introduction

OTC Drugs’ means drugs legally allowed to be sold ‘Over The Counter’, i.e. without the prescription of a Registered Medical Practitioner. In India, though the phrase has no legal recognition, all the drugs that are not included in the list of ‘prescription only drugs’ are considered as non-prescription drugs (or OTC drugs).

Prescription-only drugs are those medicines that are listed in Schedules H and X appended to the Drug and Cosmetics Act & its Rules. Drugs listed in Schedule G (mostly antihistamines) do not need prescription to purchase but require the following mandatory text on the label: “Caution: It is dangerous to take this preparation except under medical supervision”. Drugs falling in these 3 schedules are currently not advertised to the public under a voluntary commitment by the pharmaceutical industry. OTC proprietary drugs registered as ‘Ayurvedic Medicines’ (= traditional Indian medicines containing natural / herbal ingredients) are also regulated by the DCA and DCR. However, as they do not require a drug licence they can be sold by non-chemists. Some of the top OTC brands in India (e.g. Vicks VapoRub, Amrutanjan Balm, Zandu Balm, Iodex, Moov Pain Cream, Itch Guard Cream, Eno Fruit Salt, Vicks Cough Drops, Halls Lozenges, etc.), are registered as ‘Ayurvedic Medicines’ because of their plant-based natural active ingredients. There are no price controls on ‘Ayurvedic Medicines’.
Since the industry being profitable then the entry barriers should be low but the nature of industry, the products and its relationship with the external environment makes it difficult for the firm to enter into pharmaceutical industry. For pharma industry some of the barriers are

- **Government policies and FDA regulations**
  
  Government policies regarding the infrastructure required and the licensing procedure to produce drugs pose initial barriers. Also with the new patent law commencing from 2005, it would become difficult to enter the industry, as till now in India the patent was only process patent and not product patent therefore anybody could obtain a license and manufacture the products, but after 2005 it would become necessary to own molecules of its own and formulate drugs on the same.

  FDA is an international body, which looks after all the functioning of the firm of pharma industry. According to FDA any new firm entering the industry should not only have complete infrastructure facilities but it should also have required manpower and certain SOP mentioned by FDA are needed to be followed, which now include setting up R&D facility compulsorily for all firms.

- **Cost disadvantages independent of economies of scales**
  
  Since the government policy and FDA regulations are stricter and the patent law has made major barriers to entry. Cost disadvantages would be in the form of product technology. As discussed earlier till now in India it was the process patentised but now any molecule discovered by a particular firm would
be the sole applicant of the formulation of that molecule or final product along with the technology to manufacture the product.

- **Capital requirements**
  Pharma industry is highly capital-intensive industry. The nature of huge investments in setting up manufacturing facilities and R&D facilities is a discouraging factor for the new entrant. In case of pharma industry, it has been made mandatory for the firms to invest at least 4% of the equity capital in to R&D.

**B) Rivalry among Existing Firms**

Though there is high competition within the firms of pharma industry but other factor such as its relationship with Healthcare Industry makes competition and rivalry a backseat. Also the growth of industry is very high and hence market share becomes a latent factor in terms of rivalry. The special case of this industry is that this industry follows not only concept but is more inclined towards societal marketing.

The fixed or storage costs are high in case of pharma industry and hence firms in this industry take various measures like sometimes outsourcing for improving upon storage costs. Many times firms have to collaborate with each other for certain productions and operations of certain nature. Products in this case are very important factor for competition. Standardization of any sort of product by any firm can lead to monopoly too. The price though can become a major tool for competition, but the social environment does not allow this strategy to gain impact. Distribution of the all firms is almost same; hence there is no difference here.

**C). Bargaining Power of the Buyers**

The importance of the product is much higher to the buyer in terms of total cost. The bargaining power of the buyer in this industry is almost nil as compared to other industry. For the final consumers, the products are life saving drugs and buyers are ready to pay any amount to buy the product so the bargaining power of buyers at the time of requirement is low.

**D). Bargaining Power of the Supplier**

Suppliers are abundant in this industry hence the bargaining power of suppliers is much higher. Switching costs are very low, but the substitutability of the product is nil. The products are bought by the buyer in bulk and hence the supplier is keen to have a long-term relationship with the buyer, hence for the supplier buyer is very important link to maintain him in the industry.

**E). Threat of Substitute**

In Pharma industry, there is threat of substitutes since the industry produces lifesaving drugs. The substitutes of these products are: Ayurveda, Unani, Homeopathy, Acupressure and Acupuncture

**Major Findings from Survey**

In Ahmedabad, when people suffer from minor disease most of them i.e. 24% take medicine from suggestion from friend 100% of respondents have used any of the pharma OTC products at some point of time in their life.

Most of the respondents prefer to purchase Pharma OTC products from Neighborhood chemist store. In Ahmedabad, most of the respondents prefer to purchase OTC medicines as and when needed as responded by 84% of respondents. The respondents has ranked efficacy as most preferred feature of particular brand of OTC products.

Among the medium of communication, television is preferred by 48% of respondents as most appealing for advertisement of OTC products Chemist play a major role as 71% of respondents seek detail
information from the chemist about the brand of product they purchase 48% respondents perceive they can’t say OTC products as safe to buy and use.

People in Ahmedabad are well informed as 67% of respondents are unaware of the side-effects of the OTC products they take. Most of the respondents read the labeling information on an OTC’s product package before using it. Price, manufacture date and expiry date is read by most of the respondents. The respondents that always follow directions given on drug package are maximum in number.

Though 32% of respondents never get influenced by point of sale display while making a purchase decision, there are 28% respondents who sometimes consider point of sale display in their purchase decision regarding OTC products. 68% respondents visit drug store with primary intention to purchase only OTC products. The most preferred frequency of stocking among respondents for major OTC categories:

**Recommendations**

Chemist should play a very important role in the society and should try to inform consumer about side effect and dosage rate of the medicine. Many respondents are still not aware about the side effects therefore government should create awareness about the non-prescription medicines’ side-effects and should cap on these hazardous OTC products. Consumers should prefer to purchase healthcare products from medical store rather than grocery store, because they can get information about adverse effects more from the chemist.

Companies should give information about contra indication and dosage in the advertisement and on label of the drug. An awareness program should be started by the government that explains the importance of reading labeling information to the consumers. Consumers can not differentiate between prescribed and non-prescribed drugs. Therefore government should convert some of the well known and frequently purchased product into OTC products that is Rx to OTC switch. People consider Brand rather than price and packaging of the OTC product so companies should advertise more and build stronger brand. At the same time, people also consider efficacy or effectiveness as important feature thus companies should build brand loyalty by providing high quality products. In order to increase the effectiveness of the advertisement, companies should use television as a medium of communication. Supermarket/ malls should strive to improve their market by instilling trust into the people and offering various incentives like lower prices and good quality products.

**Conclusion**

The Indian Pharmaceutical Industry today is in the front rank of India’s science-based industries. This highly fragmented industry is very competitive. The companies are compelled to focus on R&D and innovative methods to improve their manufacturing capabilities.

In the OTC drug marketing, the Customer and Consumer being the same, companies have to immediately address the information needs more effectively and on a continuous basis. The acceptability of OTC drugs will improve once the awareness level is enhanced. When the knowledge of the traditional medicine is rooted in the culture, the knowledge about allopathic OTC drugs has to be disseminated by manufacturing company and ensure drastic reduction in the high information asymmetry existing today. The OTC drug offering is incomplete without empowering the public on its rational use through well planed strategic marketing initiative revolving around the aliment, the knowledge to diagnose and manage the same. In this empowerment process which can be considered as CSR, the objective should be prevention and holistic awareness creation leading to health and wellbeing than just offering the minimum needed information to use one’s products. Thus by educating public (consumer) on how to manage common ailments and finally how to prevent them, the pharma companies can achieve its real goal of health for all and improve the quality of people’s life.
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