

2. LITERATURE REVIEW

Prescription drugs and the pharmaceutical industry play a very important role in the health economy. Drug therapies traditionally have supplemented nutrition, sanitation, and medical care as methods for preserving health. Drugs are used to treat many diseases and conditions. Examples include chemotherapy for cancer, steroids for skin diseases, psychotropic drugs for mental health problems, beta-blockers for heart disease, clot busters for stroke, protease inhibitors for AIDS, and alpha-blockers and alpha-r inhibitors for Benign Prostatic Hyperplasia (BPH). Prescription drugs in world trade, is a multi-billion dollar industry (Schweitzer, 1996; Folland *et al.*, 2001; Miller, 2002).

However, information on the nature and size of the potential local BPH market or the target group treating urological disorders was limited. General information on number of patients being treated at hospitals was available from Statistics Department reports and Ministry of Health annual reports. The local data however, does not reflect types of medical treatment used. The proportion of patients treated by GPs is not known. In the private sector, the International Medical Services (IMS) provides sales data on BPH products for companies to track their performance. However, we still lack more detailed information such as physician prescribing patterns and habits.

Currently, according to the Company's confidential report the market share of Product Y was estimated at only 15% out of a total projected market value of RM 10.0 million. The market share for Product Y is based on the Company's sales volume, while the projected market is estimated based on the population demography. The sales volume for Product Y had shown slow growth, lower than expected, over the last two years in both the GP and Specialist markets. The reasons for the low performance were not clear.

In depth information about the market and customer perceptions and preferences on choice of drugs has not been studied or documented. On the other hand it could be due to weaknesses in the sales team or marketing strategies adopted.

In other reported cases in general, GPs are known to be more price sensitive compared to specialists and are often categorized as 'economic buyers'. GPs do treat many chronic ailments including BPH. One of the problems with treating specific chronic diseases such as urethral and renal infections or deficiencies was that, GPs frequently were unfamiliar and unable to recognize the severity of diseases compared to specialists. GPs tend to be less familiar with such diseases compared to specialists as they are less exposed to severe cases. Clinical buyers include specialist or consultants who influence buying decisions in hospitals and they are more concerned with getting the 'best' therapy for their patients (Vandermerwe and Taishoff, 2000).

Nevertheless, GPs could form a significant proportion of the potential market. Literature on local information on the BPH management pattern and perceptions of GPs versus Specialists was lacking. De la Rosette (1999) stated that there was an increased participation of GPs treating BPH from 17% (1992) to 68% (1997) in the Netherlands. The present study is designed to give an indication of the relative size and nature of both the Specialist and GP markets.

Market surveys elsewhere on proposed improvements to pharmaceutical products have reflected concerns about fewer side effects, improved efficacy and speed of action. The need for shorter treatment period and fewer daily doses were also reported as important concerns (Branthwaite and Bruggemann, 1996). It is not known whether customers in the local market would express similar concerns, which may influence buying decisions.

'Prescriber' preference, perceptions and behaviour in relation to price of competitor products, and the composition of categories of buyers, *i.e.* 'clinical' or 'economic' buyers, can influence buying decisions and thus determine market share and the optimum pricing of the product. Different strategies in marketing and promotional activities would then be needed for each of these two categories of customers.

In pricing decisions, the primary objective is not to increase sales volume and increase market share or profit maximization (Lanzillotti, 1967). The pricing policy of a company may focus on one of the following as the major goal: (a) achieve a target return on investment or on net sales, (b) maintain or enhance a market share, (c) meet or prevent competition, (d) maximize profits, or (e) stabilize prices (Hanna and Dodge, 1995). In meeting competition, the firm would price its product at about the level of the average price in the industry. However, prices are often adjusted to take advantage of any unique features of the product, such as safety profile and less side effects.

Therefore, in order to maximize the life cycle of Product Y, Company A has several options.

- i) Cut prices and margins in order to be competitive and increase sales volume. In some countries however, national policies are in place to regulate pharmaceutical prices in order to manage the national drug budgets. For example, in France companies must stipulate prices and volume ceilings for each drug sold in the country (Moore, 1998). In any case, this approach would involve a significant discount on price.

- ii) Or keep prices as they were and find some other way(s) to persuade the market to accept the product (marketing and promotional strategies).
- iii) Or make improvements to the product to be competitive.

In the pharmaceutical industry the first option above is not always the most preferred option. In any case, the industry with its long history of high profits is one of the most heavily regulated of all industries (Folland *et al.*, 2001). Prescription drug prices have been rising more quickly than other health care products due to patent protection, high R&D spending, and heavy regulation. Drug pricing policies have become more complex, with issues ranging from price discrimination by sellers (Helms, 1996; Schweitzer, 1996), price regulation by governments, and price containment through promotion of generics, higher copayments and other measures such as formulary decisions (Grabowski and Vernon, 1994; Huttin, 1999). Due to heavy regulation pharmaceutical firms generally are more likely to maintain high prices to meet heavy investments on R&D (Abbott, 1995).

In the case of the second option, there are several strategies that may improve market share. In prescription drug industry, an important approach is creating awareness amongst the 'economic customers' through seminars and conferences, promotion with samples or establishment of 'Best Demonstrated Practices' programs (Dalrymple and Parsons, 2000).

Amongst patients, awareness creation may be achieved through other forms of promotion, *eg.* promotions in educational media (Beatty, 1998) or even the use of sports celebrities for prescription drug promotions (West, 1998). These approaches may work in some cultures.

However, the investigations by Hellerstein (1998) had clearly shown that physician characteristics are important in prescription decisions and patient characteristics were not important.

Promotions to increase sales by increasing perceived value can also be achieved through advertising of product 'image', improved sales effort to sell 'value' rather than price and the institution of value-added services such as technical support or financing (Winer, 2000).

The third option requires improvement to the product either in terms of performance (*eg.* improved efficacy, less side effects, faster speed of action) or reduction in daily dosage (*eg.* from twice daily to once daily) or both.

Customer or market research that gives useful insight into (a) customer characteristics, including perceptions, and reasons for choice of one product over another in the local environment and (b) the price that customers are willing to pay, are therefore important for pricing and marketing decisions (Proctor, 2000; Winer, 2000).

The strategy is to understand the customer characteristics in balancing the need for sales growth against demand for profits (Dalrymple and Parsons, 2000). The management team at Company A was aware of the low performance of Product Y, but due to lack of primary data the likely or major causes could only be speculated. The Company recognized the need for a customer and market evaluation to understand the market and develop relevant marketing strategies.