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Prescribers Segmentation

Strategy for Pharmaceutical Corporations Success

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Abstract

Segmentation of Prescribers classifies prescribers into different groups which enables the pharmaceutical marketers to understand the markets from prescriber's viewpoint. For marketing managers a clear reading of prescriber's needs, behavior, perceptions and prescribing processes is required to formulate desired marketing strategies. Understanding customers is more important than ever in today's competitive economy, where declining customer loyalty and high customer turnover continue to erode profit margins. Without accurate, verifiable segmentation of customers with respect to value, strategic

decision makers cannot get the information they need to evaluate and execute strategies for improving customer profitability and the efficiency of marketing campaigns. This paper is an attempt to study the different basis used by prescription drug marketers and professionals to segment the prescribers. Furthermore, to suggest the best segmentation strategy so as to improve the performance of pharmaceutical companies.

Introduction

In today's fast changing business environment, the segmentation plays a vital role in corporate success by helping companies anticipate and deploy strategic responses to external threats and opportunities. The liberalization, Globalization and development of technology at fast pace has thrown open number of challenges and opportunities for pharmaceutical industry. Market segmentation long has been considered one of the most fundamental concepts of modern marketing. Besides being one of the major ways of operationalizing the marketing concepts, segmentation provides guidelines for a firms marketing strategy and resources allocation among markets and products. The lots of noise about segmentation could be heard from practicing managers but practically this is rarely used effectively due to different need of customers.

MacLennan and Mackenzie (2000) found that only few companies use market segmentation to its maximum potential, while a majority of pharmaceutical companies still base their product development and commercialization plans on cursory, incomplete, or intuitive marketing analysis with the resultant marketing strategy, missing fundamental opportunities and delivering incomplete or inappropriate strategies. The strategic market segmentation can provide foundation for creating advantages that will lead to increasing sales and improving overall marketing performance. Srivastava Nandini (2004) proposed the need of focused approach towards segmentation strategies. Although the marketers have prior knowledge about target segment but there is need to segment the target more

specifically in terms of benefits, occasions and usage patterns. Kaur Mandeep et al (2004) emphasised on the need of market segmentation, so that a firm can offer the product according to the needs, tastes and preferences of customers. They used cluster analysis, an advanced multivariate technique to accomplish segmentation of passenger car market

Approaches for segmentation

Market segmentation helps companies to divide large, heterogeneous markets into smaller segments that can be reached more efficiently and effectively with products and services that match their unique needs. The homogeneity within a segment means that members of segment have similar needs and habits. Goodwin and Gentry (2000) proposed that Lifestyle is an important basis of market segmentation. The study argues that people undergoing life transitions share unique patterns of consumer behavior as well as common responses to marketing appeals. The segmentation model requires the selection of basis for segmentation. The major segmentation basis are briefly discussed below (kotler, 2003).

- Geographic Segmentation- Geographic segmentation as the name implies, entails subdividing the market into regions, cities, districts and villages. The assumption in using this basis for segmentation implies that prescribers in a particular geographic area have identical preferences and prescribing patterns.
- Demographic Segmentation- This is one of most commonly used segmentation technique used to classify prescribers. It divides the prescribers into groups based on variables such as length of practice, age, gender, specialization of physicians, sex and number of patients per day doctor treats. Income level of patient also plays an important role. If the paying capacity of patients is limited, he naturally prefers to go to a doctor whose fees are low and who prescribe cheaper drugs.

- Psychographic Segmentation-Psychographic segmentation is based on dividing the prescribers according to life style and personality characteristics. People in the same demographic group can have different psychographic make ups. Nine types of doctors can be distinguished on the basis of such criteria. These are experimentalists, progressive, hospital doctors/ teaching staff, over stretched, self satisfied type, philanthropic type, commercial type, the undecided and the disillusioned (Smarta, 1996).
- Behaviouristic Segmentation- Dividing the market on the basis of variables such as occasion, benefit sought, user status, usage rate, loyalty status, buyer readiness stage and attitude is termed as behaviouristic segmentation.
- Benefit Segmentation- By purchasing and using products, consumers are trying to satisfy specific needs and wants. In essence, they look for products that provide specific benefits to them. Identifying consumer groups looking for special benefits from the use of a product or service is known as benefit segmentation.
- Multiple Segmentation-The marketers often combine together various characteristics because it reveals very important information about target market.

Vinith Kumar Nair et al (2007) investigated that male consumers generally prefer to purchase and select the brand of cosmetics individually. The study further observed that male consumers buy all their cosmetics items from one shop and that female cosmetic consumers prefer to purchase cosmetics from any convenient shop.

The selection of variables is based on the specific needs of marketing managers. The models used to identify the segments are- A priori segmentation and clustering based segmentation (Wind, 1978).

*A priori Segmentation design in which management decides on a basis for segmentation such as product purchase, loyalty, customer type or other factor.

*Cluster based segmentation design in which segments are determined on the basis of a clustering of respondents on a set of relevant variables. Benefit, need and attitude segmentation are examples of this type of approach.

Objectives

The main objectives of the study are-

1. To assess and evaluate various segmentation basis taken into consideration by pharmaceutical companies while selecting the target market.
2. To define suitable segmentation strategy for marketers of prescription drug products.

Research Methodology

The sample of the study includes the field force of five fastest growing pharmaceutical companies i.e. Glaxo Pharmaceuticals Limited, Nicholas Piramal Pharmaceutical Limited, Sun Pharmaceuticals Limited, Aristo Pharmaceuticals (P) Limited , and Emcure Pharmaceuticals Limited (IMS – Feed back Report). The total numbers of respondents were 70. The study is diagnostic in nature. The research provides help to the marketers of prescription drugs by suggesting them suitable strategies so as to satisfy their target customers. The questionnaire was prepared and administered to respondents. The respondents were asked to assign weightage to each variable on three point scale i.e. High, Medium and low.

Analysis

The selection of target market is very important for any organization. An organization may choose to market its products to all users or to some sub groups. The target market for prescription drug companies is segmented to provide focused approach. The respondent's priority and preferences to various variables used for segmenting the prescribers is analyzed using percentages, mean and S.D techniques, which is presented in table 1.1.

Table 1.1- Mean Score of variables used for Segmenting Prescribers

Segments	Summary		High	%	Medium	%	Low	%
	Avg.	S.D	N		N		N	
Demographic	1.51	0.58	37	52.86	30	42.86	3	4.29
Geographic	1.83	0.61	20	28.57	42	60.00	8	11.43
Psychographic	1.94	0.73	21	30.00	32	45.71	17	24.29
Behavioural	2.24	0.85	19	27.14	15	21.43	36	51.43

It is evident from the table 1.1 that demographic segment (mean 1.51) is the most important segment considered by all the pharmaceutical companies under study for selecting target market. Next consideration is being given to Geographic (mean 1.83) followed by psychographic (mean 1.94) segments. Further, the analysis of variance shows that F value is significant at 0.01 level for various segments like demographic segment (F-7.495**), psychographic segment (F-7.888**) and Geographic

segment (F-6.737**). This means that means are significantly different from one- another i.e. the responses of individuals are different from one another.

Segmentation Strategy

The dependence of pharma companies on single segment is not sufficient for segmenting the prescribers base. Due to existence of high competition the companies need to concentrate on almost each and every variable. They are required to segment the prescribers base by adopting psychographic and behavioural approach in addition to demographic and geographic approach. The huge competition among companies and changing market scenario demands the strategic approach. We suggest that the companies must go for integrated segmentation approach according to which the data first of all could be segmented on geographical basis following priori segmentation technique (Fig 1.1) followed by clustering analysis using demographic, psychographic and geographical variables.

Fig1.1- Priori Segmentation on Geographical basis

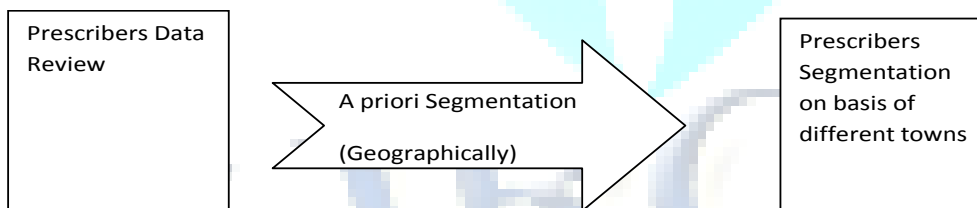
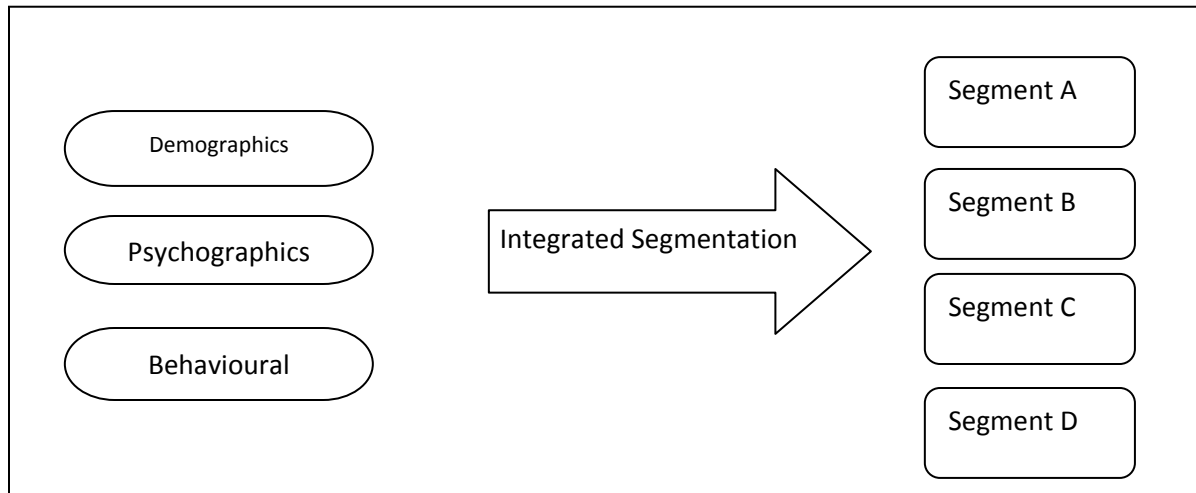


Fig1.2- Integrated Segmentation using various variables



In contrast to the theory of segmentation that implies that there is a single best way of segmenting market, we suggest that any attempt to use a single basis for segmentation for all marketing decisions may result in incorrect marketing decisions as well as waste of resources. The marketing managers often talk lot about segmentation, but very rarely this is used effectively. In pharmaceutical industry, marketing lies and moves around the print promotion and efforts made by the sales force, to move the product to ultimate consumers. Generally, while segmenting the prescribers base, strategy of market segmentation is not adopted. The managers and reps try to fit the market to the product and not product to the market. The same product is promoted to number of heterogeneous prescribers by adopting similar approach. We suggest the marketers to adopt Integrated segmentation as the best strategy to segment the prescribers having similar characteristics and thus adopting different marketing strategy for each segment. The Integrated segmentation approach analyzes individual prescribing behaviours, demographics, and psychographics (attitudes, beliefs, and values) of prescribers. For a particular product, for example, one segment might consist of price-sensitive physicians, another might include doctors loyal to a given manufacturer's brand, and a third may include those unfriendly toward reps. The Pharma executives can develop marketing and sales approaches for each segment.

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