

# Lesson 7. Pharmaceutical Marketing

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# Lesson 7. Pharmaceutical Marketing

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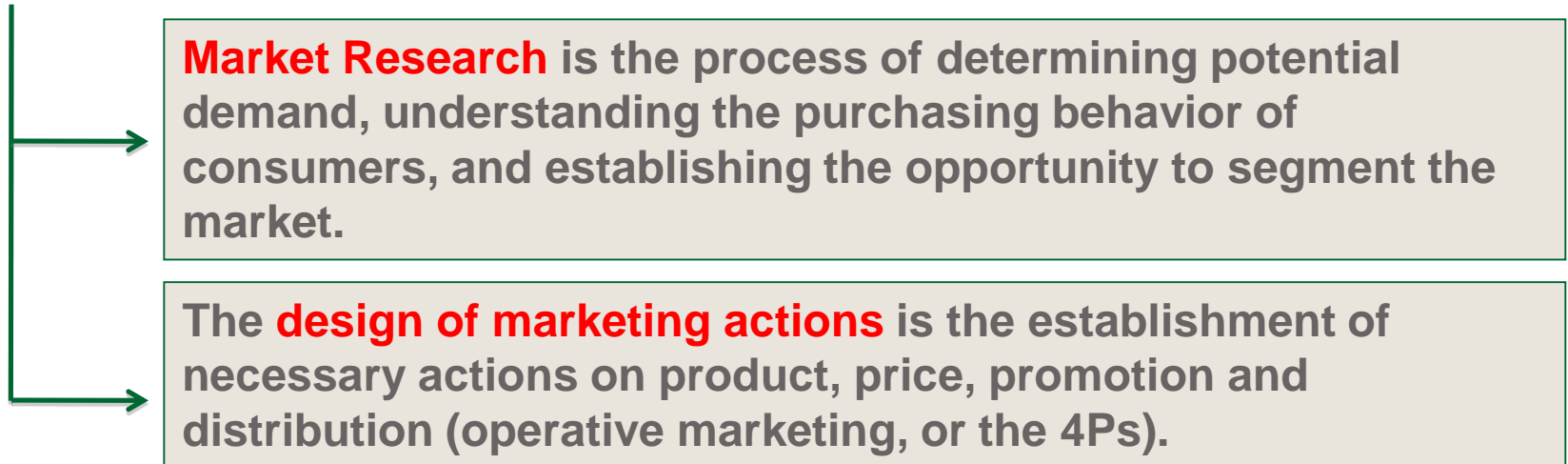
## BASIC REFERENCES

Iborra, M.; Dasí, A.; Dolz, C.; Ferrer, C. (2014): Fundamentos de Dirección de Empresas. Conceptos y habilidades directivas. Segunda Edición. Ed. Paraninfo, Madrid. Chapters 14, 15, 18 and 19.

# The function of marketing

Marketing is a set of procedures designed to create, communicate and transfer value to customers and manage relationships with them in such a way that the organization draws a profit from them and from its stakeholders (customers, employees, suppliers, etc.) (AMA, 2004)

## FUNCTIONS OF MARKETING MANAGEMENT



## 7.1. Market research

**Market research** is the process of determining the potential demand of a product by asking the market itself.

Potential demand is the maximum sales volume to be attained by a product or service under some boundary conditions. It is expressed in units or currency.

Variables that influence potential demand are:

- generic demand variables such as price, disposable income (rent), and preferences,
- a company's commercial efforts at modifying customer preferences,
- an increase (or decrease) in demand over time, and
- the evolution of the sector.

# 7.1. Market research

**Analyses of Consumer Behavior** attempt to determine general patterns in the decision-making processes of consumers who seek, buy, use, evaluate and dispose of products and services they believe are suitable for satisfying their needs.

If we accept that consumers are the focus of all marketing activities, it is important to know how they become motivated and how they buy and use the products they purchase. This involves answering the following questions: What / Why / How / Where / How much / How often do they buy the product and how do they use it?

This knowledge will help us to:

- identify current and future needs more effectively,
- increase our ability to communicate with our customers,
- obtain our customers' trust and assure their loyalty, and
- plan our sales actions more effectively.

# 7.1. Market research

**Market segmentation** is the process of dividing customers into homogeneous groups of consumers in order to design a distinct marketing strategy for each group and meet their needs more effectively.

It allows us to optimize resources (to better design our product portfolio) and use our marketing efforts more effectively (to discover market NICHES where needs are not adequately covered).

Market segmentation variables are:

- geographical (by country, region, town, zip code, etc.),
- demographic (by genre, age, income level, education, profession, social class, religion, nationality, etc.),
- psychographic (by lifestyle, personality, etc.), and
- behavioral (by frequency of product use, level of loyalty, attitude to the product, etc.).

# 7.1. Market research

To ensure correct **market segmentation**, each market segment must be:

- easy to identify,
- easy to access,
- different (i.e. consumers in different segments should value the products in a clearly different way that can be accurately measured),
- stable over time,
- useful for our sales strategy, and

the sales potential must be commensurate with the expense level used in the process.

# 7.1. Market research

## **Market segmentation:**

The strategy and process required to perform this segmentation is divided into the following phases:

- identify the segmentation variables and the market segments in accordance with our product and service,
- develop descriptive profiles for each segment,
- evaluate the segment's attraction (sales potential),
- select the target segment(s),
- design the actions to position ourselves in the desired segments, e.g. create a new product line, adapt an existing market or a new sales channel, etc., and
- select and apply the positioning actions chosen for each market segment.



## 7.2 The 4Ps of the marketing-mix: product, price, placement and promotion

The 'marketing mix' (also known as the 4Ps) is a basic marketing model designed in 1960 by E. Jerome McCarthy.

It is defined as a set of tools used by firms to achieve their marketing objectives.

### These are strategic decisions in relation to:

- **Product:** quality, features, benefits, style, design, branding, packaging, warranties, lifecycle, investments, etc.
- **Price:** PVP (Fixed Sales price), PVR (Recommended Sales price), discount prices, special offers, prices in credit sales, etc.
- **Place:** direct or indirect channels in the marketplace, geographical distribution, sales points, location, catalogues, website, e-commerce, etc.
- **Promotion:** communication with potential customers to inform them of our products and convince them to buy them. This includes advertising, public relations, direct sales and sales promotions, etc.

## 7.2 The 4Ps of the marketing-mix: product, price, placement and promotion

### Pharmaceutical merchandising

The techniques used to increase profitability and product rotation that motivate purchasing behavior and satisfy the customers' needs.

Product display can and must be enhanced

- on the shelves (linear),
- over the counter, and
- on the sales stand

in order to encourage impulse sales.

## 7.2 The 4 Ps of the marketing-mix: product, price, placement and promotion

### Pharmaceutical merchandising

#### On the shelves:

- Shelves attract and retain customers' attention to the product.
- They make it easy for customers to make predetermined purchases (easier to find the products). If well managed, they can also increase impulse sales.
- Ideally, they should arrange products by brand and category and provide ample information to help customers find their way in their purchasing activity.
- The height of the shelf is crucial for making a profit on the product. The following three levels are normally used:
  1. the upper level (hat level) normally displays leader or high-rotation products; sometimes they also store safety stock.
  2. the medium level (eye level) normally displays products with a high commercial margin.
  3. The lower level normally displays bulky or heavy products.
- Always avoid barriers (such as cabinets or shelves with glass doors).

## 7.2 The 4Ps of the marketing-mix: product, price, placement and promotion

### Pharmaceutical merchandising

#### DISPOSICIÓN HORIZONTAL



Implantación horizontal

#### VENTAJA:

- Aprovechamiento del espacio

#### INCONVENIENTES:

- Monotonía
- Dificulta la búsqueda

## 7.2 The 4Ps of the marketing-mix: product, price, placement and promotion

### Pharmaceutical merchandising

#### DISPOSICIÓN VERTICAL



Implantación vertical en teoría

#### VENTAJAS:

- Todos los productos tienen la misma probabilidad de ser vistos
- Presentación menos monótona
- Sensación de mayor orden
- Permite exhibir productos complementarios

#### INCONVENIENTES:

- Disminuye el número de productos expuestos de cada marca
- Se producen huecos por el distinto tamaño

## 7.2 The 4Ps of the marketing-mix: product, price, placement and promotion

### Pharmaceutical merchandising

#### Over the counter:

- The counter and behind the counter are the hottest points in the pharmacy, i.e. the area where the customer spends most time and where more sales are generated.
- Wherever possible, the counter should be individual and help to establish 'trust bubbles' with the customer.
- Leading products, novelties, high-rotation products, products displayed in the shop window and, especially, impulse sale products should be placed here.
- The layout should be planned. Too much display makes the counter overcrowded and leaves insufficient space to conduct the transactions.

## 7.2 The 4Ps of the marketing-mix: product, price, placement and promotion

### Pharmaceutical merchandising

#### On the sales stands:

The main goal here is to present new products, promote them, and increase sales. The following guidelines apply:

- always fill the stands and clearly show the selling price,
- locate the stands strategically around the shop,
- do not fill them with other brands' product or place these in the shop window,
- balance safety features in order to help prevent shoplifting but not weaken impulse sales, and
- do not overcrowd the pharmacy with too many sales stands.

## 7.2 The 4Ps of the marketing-mix: product, price, placement and promotion

There are two types of marketing strategies:

**Marketing of entries**, i.e. all marketing actions aimed at increasing number of transactions in the pharmacy.

**Marketing of transactions**, i.e. all marketing actions aimed at increasing the amount of each transaction (the average receipt) in the pharmacy.



## 7.2 The 4 Ps of the marketing-mix: product, price, placement and promotion

Marketing of entries	Marketing of transactions
Communication plan: brand, logo. corporate image.	Portfolio of products
Parking	Location
Web page and social network activities	Pricing policy
Outside signage	Promotion and advertisement plans
Shop windows	Traffic inside the shop
Ease of entry	Inside signage
Fidelity plans	Services and diagnostic opportunities
Leaflets	Crossed sales protocols

## 7.3. Customer orientation

**Transactional marketing** focuses on products in order to optimize their quality and increase the number of transactions. It is a short-term vision whose main aim is to attract customers.

The agents involved play different roles, i.e. customers play a passive role while sellers play an active one. Two-way communication is not established.

Sellers obtain very little feedback from their customers. Communication tends to be massive.

Marketing is product-oriented: financial transaction and customer attraction prevail in order to increase sales.

## 7.3. Customer orientation

**Relational marketing** focuses on the customers and on establishing stable and satisfactory relationships with them. Rather than attraction, what is sought is loyalty and an increase in economic value per customer.

This strategy aims to increase long-term results: thanks to the amount of information from customers, a user lifecycle can be determined and marketing actions that depend on the phase the customer is in can be adopted.

Actions are customized and, although audiences are smaller, impact is higher.

Users here play a more active role in the relationship and a two-way communication is established between the company and the customer.

# 7.3. Customer orientation

Transactional Marketing	Relationship Marketing
Short-term	Long-term
Goal: to attract customers	Goal: to retain customers rather than attract new ones.
Search for spot transactions	Develop a long-term relationship with value for both parties.
Scarce contact with customer	Direct contact with customer
Product-oriented	Market-oriented
Addressed at the public as a whole	Customized
A mindset of rivalry and conflict with suppliers, distributors and competitors.	A mindset of mutual cooperation between organizations.
Clearly defined roles: buyer (passive) <> Seller (active)	Fuzzy buyer-seller roles
Result of the transaction sought	Value-creation and satisfaction sought.
Marketing developed in the marketing department	Marketing developed in the whole organization
Search for customer satisfaction with the transaction	Search for customer satisfaction with the relationship
Little emphasis on customer service	Strong emphasis on customer service

## 7.4 Loyalty, promotion campaigns and ICTs

Nowadays it is difficult and expensive to attract new customers because:

- users are better informed, more demanding and more sophisticated,
- products' life-cycles are getting shorter,
- some markets are hyper-segmented,
- the markets are more competitive,
- competitors are more global,
- supply is greater than demand (it's a buyer's market),
- the mass media are fragmented,
- distributors have a greater purchasing power,
- distributors have developed their own brands,
- the reputation of brands has decreased.

## 7.4 Loyalty, promotion campaigns and ICTs

**Loyalty** means establishing solid relationships over a long period of time.

A loyal customer is one who continually makes purchases of the same brand or visits the same shop.

Two classic determinants of loyalty are **product quality and customer satisfaction.**

## 7.4 Loyalty, promotion campaigns and ICTs

**The quality of the product or service** is recognized by the customer based on the excellence or superiority of the service received, not only in terms of the results obtained but also the process implemented to obtain them.

If we wish to provide a high service quality:

- we need to understand the customer's expectations and translate them into quality standards,
- we need to apply those standards by providing contact staff with the training and tools they need to be able to supply them,
- our external communication must be precise and relevant (we should not over-promise but faithfully reflect the reality, i.e. under-promise and over-deliver).

## 7.4 Loyalty, promotion campaigns and ICTs

**Customer satisfaction, expectations and perceptions are wholly SUBJECTIVE AND EMOTIONAL.**

**Customer satisfaction** is the result of perceptions on the use of the product compared to expectations prior to its acquisition.

**Expectations**, i.e. how customers expect their needs will be fulfilled by the product, may be determined by:

Elements that cannot be influenced by the company:

- e.g. the personalities, needs and personal circumstances of the customers, and the attributes of competing products, etc.

Elements that can be influenced by the company:

- e.g. the image projected by every member of the organization who is in contact with customers, the image projected by the company, the price of the company's products, past experiences, etc. By acting on these elements, we can enhance our customers' initial image of our products.



## 7.4 Loyalty, promotion campaigns and ICTs

**Perceptions** are created when customers use the product or service.

Perceptions are defined by:

- the quality of the product/service, and
- the quality of the service provided during the purchasing process, consumption, disposal and after-sales service.

Perceptions are based on the product's attributes and on the image the customer has in mind:

- If perceptions are higher than expectations, the customer will be satisfied.
- If they are lower than expectations, the customer will be dissatisfied.

Only thorough knowledge of our customers, which will help to improve and adapt our products and the quality of our service in all our contacts with them, can help customers' perceptions to exceed their expectations, thus earning their satisfaction and perhaps their loyalty.

## 7.4 Loyalty, promotion campaigns and ICTs

Benefits of customer loyalty:

1. Sales increase, since loyal customers buy more products and buy them more often.
2. New products are sold through crossed-sales.
3. More sophisticated products or services are sold with higher sales prices and added value.
4. Cost savings are introduced, since loyal customers know better how to use our products.
5. New customers are attracted, since loyal customers recommend our products to them.
6. It is easier to raise prices, since loyal customers are less sensitive to them.
7. There are fewer complaints and associated costs: the greater knowledge of these customers ensures better use of the products.
8. Customer and market share increase thanks to the increase in purchases by loyal customers.
9. Customer loyalty truly differentiates us from our competitors.