

Conceptual paper on Study of FMCG & Pharmaceutical Market: Identifying the Differences and Similarities

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Abstract: *With the growing pace of Pharmaceutical market FMCG players are interested to extend their portfolio to tap the market share. Although strict regulatory norms and medico knowledge is the hindrance in their path. On the other hand strong supply chain network of FMCG Industry makes the things easy for them and on which pharmaceutical players are having keen eye. Under this environment both Industrialist and academicians are interested to explore the crossroads where both FMCG and Pharmaceutical Market intercepts. This manuscript is intended to explore that area and study the possible similarities and differences in both the markets so that effective business models could be developed. Work is primarily based on secondary data collected through various reports, journals, e-papers and online repositories. For the sake of avoiding any obsolete data articles has been considered since 2006-2016 only (last 10 years). Comparative analysis has been made on the selected postulates after critical thinking. Appropriate conclusion has been drawn which has relevant implications for FMCG & Pharma players, Policy makers, Management students, Researchers in the concerned areas and the related Entrepreneurs.*

Keywords: *Pharmaceutical market, FMCG Market, Similarities, Differences.*

I. INTRODUCTION

With the growing pace of Pharmaceutical market FMCG players are interested to extend their portfolio to tap the market share. Although strict regulatory norms and medico knowledge is the hindrance in their path. On the other hand strong supply chain network of FMCG Industry makes the things easy for them and on which pharmaceutical players are having keen eye. Under this environment both Industrialist and academicians are interested to explore the crossroads where both FMCG and Pharmaceutical Market intercepts. This manuscript is intended to explore that area and study the possible similarities and differences in both the markets so that effective business models could be developed.

As per IBEF (India Brand Equity Foundation) Report, Annual growth in the Indian consumption market is estimated to be 6.7 per cent during FY2015-20 and 7.1 per cent during FY2021-25. The Indian fast-moving consumer goods (FMCG) companies have performed better than their multinational peers as the combined revenue of country's seven leading FMCG companies stood at US\$ 11.1 billion in FY 2015-16, as compared with US\$ 9.4 billion revenue generated by select seven Multinational Companies (MNCs). Mr Mark Mobius, Executive Chairman, Templeton EM says that the Goods and Services Tax (GST) will lead to mergers and rise of world class consumer companies in India. On the other hand IBEF also reported that the Indian pharmaceuticals market increased at a CAGR of 17.46 per cent during 2005-16 with the market increasing from US\$ 6 billion in 2005 to US\$ 36.7 billion in 2016 and is expected to expand at a CAGR of 15.92 per cent to US\$ 55 billion by 2020. By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and sixth largest market globally in absolute size.

Beside this being inspired by the growth trajectory of Industry, both the markets are ready to mingle at some point of trade like some of the companies used cricketers to sell Chyawanprash & used actors or item numbers to get their products over-the-counter. The pharma companies that were selling OTC syrups, vitamin tablets, and pain reliever balms have forayed into the personal care space. And FMCG companies have jumped aboard the OTC bandwagon and are selling products with medicinal properties to end users. Simple rationale for this has been the size of market on which both the market have a keen eye. Approximately the OTC market in India is growing at a Compounded Annual Growth Rate (CAGR) of around 12%-15%. The size, according to Cubex, the consulting arm of Sorento Healthcare, a Mumbai based brand communication consultancy is Rs 8,500 crore in the most adverse or unfavorable conditions and it could be easily twice of it if the conditions are favorable. But the big question is are both the markets really similar? Can drugs be sold on the business model of FMCG? Can FMCG share the medico market easily under the constrained regulatory norms? Ultimately first of all the need is to understand the dynamics of both the markets and that is where this piece of work is focused.

II. REVIEW OF RELATED WORK

Devangshu Datta (2016) in a topic titled “Re-adjustment in pharma, FMCG?” has talked about the possible distress in these sectors which can lead to some changes in valuations. He highlighted the risk perception in both the markets. In pharma big risk identified was USAs strict norms for export of Indian drugs while in FMCG sector mainly the risk was of Rural distress due to issues of crop spoilage and decreased purchasing power of people in the region.

Raja ram Iyer (2015) has talked about marketing concepts between FMCG and Pharma. In his study he pointed out that “ big difference in both the markets is that FMCG products can make claims which in most of the cases are not well proven and documented, while pharma cannot make any product claim (in terms of its usage), unless they demonstrate the safety and efficacy in large patient population”. He also talked about how Cadbury is snatching the share of sweets market in india by promoting it’s celebration pack. Karumuri Venkatesh (2015) has talked about “How pharmaceutical marketing differs from Other (FMCG) marketing?” He focused on the regulatory norms and pice regulation in both the markets. NCK Pharma solutions (2014) have written an article on “Pharmaceutical Market versus FMCG market”. He highlights the role of social media in promotion of products in both the market. R.K Srivastava (2006) written an article on “Can we use FMCG style in pharma marketing?” in which he studies whether the marketing style, which is typical to Fast Moving Consumer Goods (FMCG), be employed for marketing pharmaceutical products or not. Study based on the statistical test confirms that “There is no correlation between factors for decision making for Pharma & FMCG. It also confirms that the importance of none of the studied attribute is same for Pharma and FMCG products hence attributes used while marketing FMCG products might not have an equal impact while used in marketing pharmaceutical products”.

III. APPROACH OF STUDY

Work is primarily based on secondary data collected through various reports, journals, e-papers and online repositories. For the sake of avoiding any obsolete data articles has been considered since 2006-2016 only (last 10 years). Comparative analysis has been made on the selected postulates after critical thinking. Appropriate conclusion has been drawn which has relevant implications for FMCG & Pharma players, Policy makers, Management students, Researchers in the concerned areas and the related Entrepreneurs.

IV. WORKING PART OF PAPER

Differences Identified among FMCG & Pharma market:

- Pharma Industry deals with the products of medicinal value either for disease prevention or disease cure while FMCG is concerned with distribution of consumer goods to be used on day to day basis.
- Pharma market is strictly controlled by FDA, MCI, OPPI, DGDA and other such bodies while regulation is FMCG is quite less restrictive with few bodies like FSSAI, BSTI.
- In case of FMCG, the end consumer and the customer are the same while in Pharma market end consumer and the customer are different especially in case of Over the counter drugs (OTC drugs) where product could be sold without the prescription of registered medical practitioner.
- Promotion of FMCG products is less controlled as comparison to pharma drugs due to Magic remedy Act prohibiting any commercials to display immediate relief after taking the drug.
- FMCG Industry has a strong e – commerce platform for selling its products while pharmaceutical Market is still dependent on conventional distribution channel.
- FMCG has a a broader product mix with different variety of products right from cosmetics to grocery while pharma market is not that widely assorted apart from few therapy areas providing drugs in mild and acute cases.
- Need for FMCG goods could be extrapolated easily due to special feature of low involvement in products by consumers as compare to drugs which are considered as high involvement products.
- DPCO i.e. Drug Price Control Authority doesn’t allow to escalate the prices as per business needs while there are free hands in case of FMCG goods because MRTP (monopoly restrictive trade practice act) still provide chances of price manipulation up to certain extent.

Similarities Identified among FMCG & Pharma market:

- OTC drugs among pharma market share common characteristics with FMCG market like no restriction on promotion of products on various social media.
- Direct marketing method is used in both the markets where the sales representative of the company meets the KOL (key Opinion Leader).
- Supply chain network is almost the same after government liberalizing the logistics norms for medicinal products.
- Various healthcare products are exactly similar to general FMCG products in terms of consumption and marketing.

- Easy discounts and free samples are practiced in the same manner in both the markets to increase the sales or enhance the bottom line.
- Availability of drugs on general stores and mom & pop kirana stores makes it similar to FMCG market.
- Most of the antecedents of sales or the factors driving sales in pharma market are responsible for growth in FMCG market also like price, celebrity brand endorsement, word of mouth, general attitude and perception of consumer along with past experience.
- A modern shopping trend like shopping on impulse, shopping for pleasure and experience has been observed in consumers of both the markets with equal enthusiasm.
- With the growing health consciousness even pharmaceutical end consumers/ patients are showing concern for selection and window shopping for medicinal products.
- Ayurvedic medicines and regulatory norms of AYUSH (Ayurvedic, Unani, Siddha & Homeopathic Therapy Segment controlled by Government of India) are changing the rules of the game and making pharmaceutical market similar to FMCG market.

V. CONCLUSION

It is evident through study that both the markets are sharing some common traits but technically different from each other. It presents both sides of the coin. On one hand where distribution of goods are similar in both the markets following the normal supply chain but on the other hand strict regulatory norms of pharma market makes it totally different from FMCG. Although end consumers in both the markets are same especially in case of OTC drugs and General FMCG products. There are ample opportunities for both the markets to learn from each other. FMCG industry is expert in fulfilling the daily needs of the consumer while Pharma Industry is specialized in first creating the need (like for preventive healthcare) and then fulfill it by its products.

VI. FUTURE DIRECTION OF RESEARCH

Similar studies could be extrapolated in a more technical way by observing the differences among the market specific to selected players. Students could form case study notes from the above paper. Researchers can build hypothesis on each of the points proposed both in similarities & differences and can test it statistically. Marketing strategies of both the markets could be compared using qualitative research techniques. TV commercials & brand endorsement strategies used in both the markets could be compared using appropriate method. Demographic differences could be observed on the above discussed points by descriptive statistics. Overall due to broadness of the topic it could be used in multiple ways in different fields for future research like strategy, marketing, supply chain, regulatory norms, consumer behavior and modeling.

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