



Chapter 1

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Management & Marketing Practices & Problems of Pharmaceuticals Industry In Bangladesh

1.0 About The Report

1.1 Origin of the report

The report "Management & Marketing practices of pharmaceuticals industry (A case on Central Pharmaceuticals Ltd.)" is prepared to fulfill the requirements of the Internship Report to fulfill the partial requirement of the MBA program, BRAC University, instructed by Mrs Rahnuma Ahmed .

1.2 Rationality of this study

Internship is a mandatory prerequisite for students willing to attain a MBA degree at Masters of Business Administration, BRAC University. The internship program includes a period of 12 weeks of on-the-job-training where I could have first-hand observations concerning the utility of different departments. Besides this, Of late the issue of management & marketing practices and problems of pharmaceuticals industry has attracted the significant attention of academia as well as industry. Management as well as Marketing practice as a strategic growth option is particularly relevant in developing countries like Bangladesh because of very low product penetration and consumption levels. Therefore, this study is very much significant in terms of modern business environment.

1.3 Scope of this report

The scope of the report was based on my working experience, annual reports & web site, and also communicate Factory Manager, executives of the Central Pharmaceuticals Ltd. To analyze the situation in question, I worked on focusing on Central Pharmaceuticals Ltd. Analyzing my company objectives, management situation, market strategies, Market situations, product mixes, etc. The analysis was based on the exposed and available information only. In-depth data were not always available on-demand due to some unavailable reasons. SWOT analysis of the company has been done. Some recommendations also have been worked out to improve the current situations for the company.



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1.4 Objective of the study

The broad objective of this report is to fulfill the partial requirement of the MBA program. As per the requirement of MBA program, BRAC University, every student needs to work for three months as an intern to acquire practical knowledge in a real business setting. The specific objectives aimed for this report is to conceptualize the current management & marketing practices and problems of Central Pharmaceuticals Ltd. and to identify and suggest scopes of improvement in current strategy and to find out how management & marketing strategies are implemented in the real life, and to find out the synergy between our theoretical knowledge and the real life operations of the pharmaceuticals companies in the country.

1.5 Methodology

Information used to prepare this report has been collected from both the primary and secondary sources which together provided more comprehensive information.

1.6 Collection of the data

An open discussion method was followed to gather primary information by informally interviewing the various Departmental Head, executives of the company. Participants were purposefully selected as they commonly engaged in marketing directly or indirectly. Observations were also used to collect primary data while working in different desks. The secondary data was accumulated from two sources-

- a. Internal and
- b. External.

The former sources were annual reports, periodicals, articles and brochures published by the company. But in the later case, sources are journals, research papers and articles from various online sources.



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1.7 Limitations Of The Study

This report suffered from several limitations:

- The most important of them was “time constraint”. Time was not adequate to complete the study more perfectly.
- Another important limitation was “inaccessibility in many section of the organization”. I confronted difficulties in getting appointment from the desired respondents as well as appropriate response from the selected respondents due to being confidential for the company.
- This report also suffered from inadequate secondary information.
- This report’s factual accuracy may be compromised due to out-of-date information.
- The findings may not be generalized to the CPL as a whole.
- Sufficient records, publications, facts and figures are not available. These constraints narrowed the scope of the real analysis.
- Some useful information cannot be expressed in this report for the sake of confidentiality.

1.8 List Of Abbreviations Used



Management & Marketing Practices & Problems of Pharmaceuticals Industry In Bangladesh

- IMS: Information Medical Statistics
- WTA: World Trade Agreement
- MRPC: Market Research Planning & Cell
- cGMP: Current Good Manufacturing Practice is a term recognized worldwide as a holistic approach for the control and management of manufacturing and quality control testing of food and pharmaceutical products.
- API: Active Pharmaceutical Ingredients.
- UKMHRA: United Kingdom Medicines and Healthcare Products Regulatory Agency
- MPO: Medical Promotion Officer
- DDA: Directorate of Drug Administration.
- POM: Prescription Only Medicine
- OTC: Over The Counter
- CPL: Central Pharmaceuticals Ltd.



Chapter 2

Overview of Pharmaceuticals industries in Bangladesh

2.1 An emerging globally competitive industry

2.2 Industry Background

2.3 Industry Size

2.4 Current Environment

2.5 Growth & Trends

2.6 Industry Segmentation by Distribution

2.7 Demand

2.8 Imported Raw Materials

2.9 Export

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2.0 Overview of Pharmaceuticals industries in Bangladesh

2.1 An emerging globally competitive industry

In Bangladesh Pharmaceutical sector is one of the most developed hi tech sector which is contributing in the country's economy. After the promulgation of Drug Control Ordinance - 1982, the development of this sector was accelerated. The professional knowledge, thoughts and innovative ideas of the pharmacists working in this sector are the key factors for this development. Due to recent development of this sector we are exporting medicines to global market including European market. This sector is also providing 95% of the total medicine requirement of the local market. Leading Pharmaceutical Companies are expanding their business with the aim to expand export market. Recently few new industries have been established with hi tech equipments and professionals which will enhance the strength of this sector. There are several sectors on which Bangladesh can be proud of and undoubtedly the pharmaceutical sector is one of these sectors, rather it is the sector, which is the second-largest contributor to the government exchequer. There are about 231 companies in this sector and the approximate total market size is about Taka 76,500 million per year of which about 94% of the total requirement of medicines is created by the local companies and the rest 6% is imported. The imported drugs mainly comprise of the cancer drugs, vaccines for viral diseases, hormones etc.

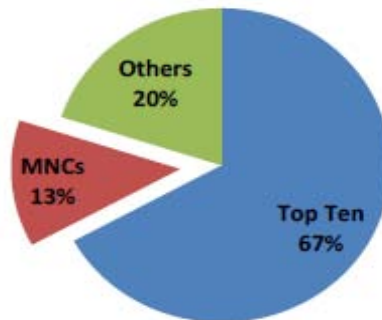
Bangladesh Pharmaceutical Industry is now heading towards self-sufficiency in meeting the local demand. The industry is the second highest contributor to the national exchequer after garments, and it is the largest white-collar intensive employment sector of the country. There are about 460 generics registered in Bangladesh. Out of these 460 generics, 120 are in the controlled category i.e. in the essential drug list. The remaining 340 generics are in the decontrolled category, The total number of brands /items that are registered in Bangladesh is currently estimated to be 5,300, while the total number of dosage forms and strengths are 8,300. Bangladesh pharmaceutical industry is mainly dominated by domestic manufacturers. Of the total pharmaceutical market of Bangladesh, the local companies are enjoying a market share reaching around 75%, while the MNCs are having a market share of 25%.



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During the last two decades the pharmaceutical industry of Bangladesh has been taken a newer height. Besides meeting the 94% need of local demand we are exporting the medicines into 77 countries. This sector contributes a lot into the national economy by exporting raw materials and finished goods. Bangladesh is ready to enter the Highly Regulated Market. For this reason different pharmaceutical companies are investing to build high tech pharmaceutical industries. Some renowned companies have already entered the Highly Regulated Market and got the UK MHRA, EU, Philippines, TGA Australia and GCC approval and some are in the process to get the USFDA & UK MHRA approval. Through this accreditation these companies will be able to export medicine and through contract manufacturing agreement.

Market share concentration



Source: BAPI and newspaper reports

Domestically, Bangladeshi firms generate 82% of the market in pharmaceuticals; locally based MNCs account for 13%, and the final 5% is imported. Although 235 pharmaceutical companies are registered in Bangladesh, only about 80 are actively producing drugs. The top 30 to 40 companies dominate almost the entire market; the top 10 hold 70% of domestic market share; and the top two, BEXIMCO and SQUARE, capture over 30% of the market (Chowdhury 2006). The industry structure is relatively concentrated. In comparison, the top ten Japanese firms generated approximately 45% of the domestic industry revenue in 2006, while the top ten UK firms generated approximately 53%, and the top ten German firms generated approximately 60% (IMS Health 2006).



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2.2 Industry Background:

The total industry can broadly be classified into two categories. These are-

- a) Patent Medicines
- b) Generic Medicines

Patent medicines are the products that are invented by the company, who have their own research team working on their own laboratories. These products are patented for many years to enjoy the monopoly market. After years of business the formulation is sold in the market so that others can go into mass production.

Generic medicines are the products that are produced in mass scale. These are marketed by several companies under different brand name, where the formulation of this product is almost same. Prices of the products are under this category are competitive. Bangladesh mainly concentrates on this category, as labor cost is one of the lowest in the world. Then, Central Pharmaceuticals Ltd produces and marketed the generic medicines.

2.3 Industry Size

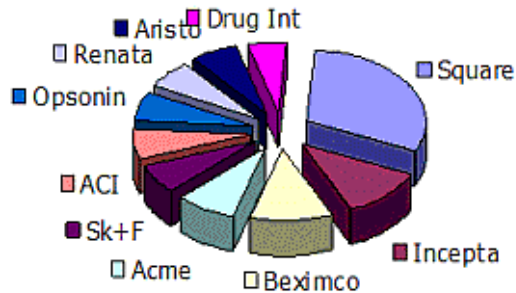
According to a June 2011 Business Monitor International (BMI) report, Bangladesh had a domestic pharma market worth BDT 59,330.7 million in 2010(US\$ 858 million, Islamic Dinars 550.6 million – a unit of the Islamic Development Bank.) Most significantly, the growth rate and investment environment has been deemed highly attractive.

The Bangladeshi Pharmaceutical Market is heavily retail oriented, with the bulk of distribution undertaken by the companies themselves, leaving wholesalers to play a limited role.



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Bangladesh's largest Pharma Companies (by sales JULY'12)



Top 10	Sales in \$ Mn
Square	\$138.7
Incepta	\$ 52.1
Beximco	\$ 49.0
Acme	\$ 36.3
Eskayef	\$ 32.1
ACI	\$ 31.3
Opsonin	\$ 29.7
Renata	\$ 29.1
Aristopharma	\$ 28.8
Drug International	\$ 23.4

Source: IMS Health

The size of the market maybe small by global standards but numerous factors mask the true size and potential for growth of the domestic pharma industry.

- Volatility in exchange rates against foreign currencies render valuation of domestic market size expressed in those foreign currencies meaningless.
- The general population in Bangladesh often seeks relief from ailments through traditional herbal medicines especially when allopathic treatments are comparatively expensive or out of reach.
- Some estimates put the size of the domestic traditional medicines market at a quarter of the allopathic pharmaceuticals market which means the size of the actual medicinal market could be worth Islamic Dinars 705.9 million (US\$1.1 billion).



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- Exchange rates which are determined by the trade of only a select few goods and services fail to capture the real 'value' provided to consumers and suppliers alike when used to evaluate the size of a domestic market. Purchasing Power Parity figures attempt to address this imbalance.

Even so, it's estimated that with a CAGR of over 18%, the Bangladeshi domestic allopathic pharmaceuticals market will be worth over ID1.21b (US\$1.88b) by 2013.

2.4 Current Environment

Drug makers Maintain Strong Growth

The pharmaceutical industry is expected to maintain above-average earnings growth through the end of the decade. IN the past ten years, the pharmaceutical market has doubled its growth, reaching a total audited value of 932 million US dollar in the third quarter of 2012.

Key global *pull factors* fueling this growth include:

- Rapid expansion in the older segments of the population;
- Increasing life expectancies;
- Large untreated patient populations;
- Large markets overseas, especially in developing nations.

Key global *push factors* of growth are presented by:

- Increased direct-to-consumer advertising and electronic commerce;
- Industry-friendly regulatory environment;
- Influence of the managed health care.

These positive fundamentals should more than offset the negative effects of:

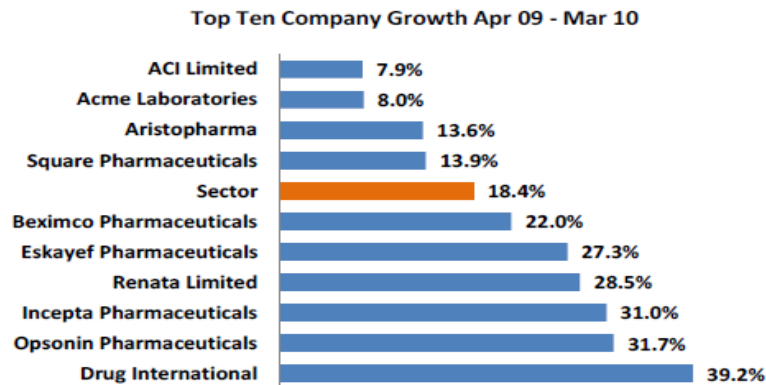
- Negative foreign exchange fluctuations;
- Tightened utilization trends in Western Europe and Japan;
- Rising tax rates.



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2.5 Growth & Trends

The growth potential of pharmaceutical industry is enormous. As urban population is increasing and people are getting educated, they are now more concerned about healthcare. So the demands of medical products are rising. In Bangladesh unhygienic conditions and poor health maintenance plans provide vast scope for the pharmaceutical firms like Central Pharmaceuticals Ltd to sell their products. On the other hand, the constant natural disasters provide opportunities to this pharmaceutical company to boost its sales.



Source: Newspaper reports

The pharmaceutical industry is growing the protection of national Drug Policy 1982. But after the GATT regulation, changes are bound to take place. Furthermore, the trend & growth of this industry tends to be positive as the demand of medicines is rising, which have mentioned earlier.

2.6 Industry Segmentation by Distribution

Three-quarters of industry sales consist of pharmaceuticals used in outpatient settings, with the balance administered in hospitals, nursing homes, and other inpatient facilities. About 70% of prescribed drugs is distributed through wholesalers to hospitals, health maintenance organizations (HMOs), and retail pharmacies. The remaining 30% is sold directly by manufacturers to physicians, hospitals, retailers, and others. (Source : The Bangladeshi Pharma Articles)



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2.7 Demand:

Bangladesh is prone to tropical diseases, and this leads to a high demand for pharmaceutical goods. Because of this and the poor health and hygiene situations, a steady growth in the pharmaceutical sector is possible. Demand is positively related to the changes in disposable income. Assuming that income per capita will continue to increase, it may be predicted that the demand for pharmaceuticals will also continue to rise.

Dhaka is the largest contributor, with nearly 45% market share. Chittagong and

Sylhet follow with 36% market share each. Khulna has a much smaller share of 19%, but it has an immense growth potential because of the higher value sales per chemist.

Dhaka also has the highest per capita expenditure on drugs. Studies have shown that people in urban areas tend to consume more pharmaceutical products compared to people living in rural areas.

Urbanization is steadily increasing in Bangladesh, as more and more people move in from rural areas to live in Dhaka and the other cities. Because of the increased frequency in natural disasters, people prefer to live and work in cities other than in villages. This bears a direct impact on the volume of sales of the Central Pharmaceuticals Ltd. As more people are living in relatively developed areas, the demand for medicine is also rising. This provides a great opportunity for the company to increase their sales.

2.8 Imported Raw Materials:

The risk for the sector is, basic chemicals that are used as raw materials, need to import for most of the cases. Central Pharmaceuticals Ltd has taken up ventures to produce basic chemicals, though they yield lower margin in spite of high demand. In order to remain healthy in the long run, the sector needs support from the government in production of basic chemicals. Highly regulated drug policy & price control mechanisms imposed by the government require that raw material components produced locally may not be imported. 90% of the raw materials are imported from different international suppliers through sight DC (L/C) and deferred DCs.



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2.9 Export

There is tremendous potential for the export of medicine from Bangladesh to become a growing, booming business. The Central Pharmaceuticals Ltd has a large potential market abroad. Drugs produced in the country commands high demand in the foreign markets as the sector maintains high quality.

Policy plays important role in boosting any industrial sector and that has happened to the pharmaceutical industry of the country, 1982 is considered as a landmark in the pharmaceutical industry history of Bangladesh when a new Drug Policy was formulated in the year. The objective of the policy was to become self-reliant in the

Pharmaceuticals sector to provide essential drugs to patients at an affordable cost, to uphold consumers' interest by providing them effective and quality drugs. Drug Policy was found highly successful in achieving almost all its declared objectives. In fact, Bangladesh was the first and the pioneer in formulating such a policy in the line with the guidelines for essential drugs as recommended by the World Health Organization(WHO).

Bangladesh is now almost a self-sufficient in its pharmaceuticals sector as 92% of the country drug demand is met by local manufacturers. With the success in the domestic market place the Bangladesh Pharmaceutical Industries are now attempting to enter into the international market.

2.10 Problems in Drug Export:

In the international scenario Bangladesh has got a tremendous, problem. Bangladesh is known world-wide as a country of flood, famine, natural calamities and political unrest. Most of the people are poor. So, it is considered that Bangladesh product quality is also poor in nature. The local drug manufacturers compete with each other with certain protection from government regarding drug import. But, in the international arena there is great competition with USA & EU based giant multinationals, having their own research brands. From multinationals the threat is Quality and from neighboring country, India the threat is Price. India is such a country, which has got almost all resources to produce and sell pharmaceutical products at a very low price. Again, India's country image is better as compared to Bangladesh. So, it has to compete with Quality and Price in order to export drugs to neighboring as well as in the international market.



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Chapter 3

Overview of Central Pharmaceuticals Limited

- 3.1 Introduction**
- 3.2 History & Prologue**
- 3.3 Marketing concepts (Marketing Mix)
Implemented by Central Pharmaceuticals Ltd.**
- 3.4 Business Model Description**
- 3.5 SWOT Analysis of Central Pharmaceutical Ltd**
- 3.6 Porter's Five Forces Analysis on the basis of CPL**
- 3.7 Competitive Advantage of CPL**
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Pharmaceuticals Ltd.**





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3.0 Overview of Central Pharmaceuticals Limited

3.1 Introduction

Revolutionary change of Bangladesh Drug Policy in the early '80s, paved the way for local entrepreneurs to invest in the pharmaceutical sector. Central Pharmaceuticals Ltd faced strong competition from the multi-nationals. But it succeeded in the final analysis for its advantages developed through economics of scales and the ability to be flexible in responding to the change of market needs. Central Pharmaceuticals Ltd is engaged in the manufacturing of wide range of life saving drugs and medicines. Its brand equity and overseas activities are enhancing.

Central Pharmaceuticals Ltd. is dedicated to improve the health care facilities of Bangladesh with its modern equipment and highly technical personnel maintaining CGMP through the exploration of the South East Asian markets.

3.2 History & Prologue

Good health is vital to all of us and finding sustainable solutions to the health care challenges of our changing world cannot wait. That's why Central Pharmaceuticals Ltd. is committed to be a participant in health care and to help change millions of lives for the better health through providing access to safe, effective and affordable medicines and related health care services to the people who need them. CPL has a moderate portfolio (currently 16 portfolios which consists of 53 medicines) of medicines that prevent, treat and cure diseases across a significant range of therapeutic areas. More than 80 products will be added with our product line within a few months in various areas. Near Future CPL is going to introduce Veterinary Section (Animal Health's), Herbal Section (Herbal Products), Ophthalmic Section (Eye Drop & Eye Ointment).

To meet the expansion, CPL has modernized and refurbished its facilities upgraded internal technology & management and attained the capability to manufacture quality finished medicine. CPL is going to install branded and expensive machinery & equipments with next six months. It will enhance the capability of life saving medicine production. On the whole, CPL is enhancing competitiveness for reasonable



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Price and best quality. *CPL does not believe in low pricing because low price means low quality.*

3.2.1 Basic Principle of Central Pharmaceuticals Ltd:

The basic principle of Central Pharmaceuticals Ltd. is “*respect for the individual*” and this inspired us to set the following Mission, Vision, Target & Goal.



■ MISSION:

The Mission of Central Pharmaceuticals Ltd is to produce and provide quality & innovative healthcare relief for people, maintain stringently ethical standard in business operation also ensuring benefit to the shareholders, stakeholders and the society at large. CPL is dedicated to supplying products of the highest quality and maintaining Reasonable price for nationwide customer satisfaction. Realize dreams to create new dreams.....*Better medicine, better health.*

Their Aspiration . . .

“To be the most admired and trusted organization through excelling in everything we do, following ethical business practice and adding value to stakeholders.”

Their Values . . .

Integrity in all their dealings....

Excellence in everything they do....

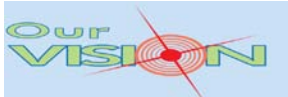
Total commitment to customer satisfaction.....

Thinking ahead and taking new initiatives.....





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To make contribution in national economy by reaching to the summit of manufacturing pharmaceuticals finished drugs.

Central Pharmaceuticals Ltd views business as a means to the material and social well being of the investors, employees and the society at large, leading to accretion of wealth through financial and moral gains as a part of the process of the human civilization.

■ OBJECTIVE:

The objectives of Central Pharmaceuticals Ltd are to conduct transparent business operation based on market mechanism within the legal & social framework with aims to attain the mission reflected by their vision.

■ Goal:

Inspired by a single goal for your health: To shape the dreams with creativity and ingenuity with an aim for highly efficient and quality production.

■ Strength:

Its strength lies in the commitment of both management and workers to deliver value to the clients, customers, consumers and well-wishers.

■ Target:



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To maintain customer trust and satisfaction nationwide that includes local and international compliance of 46 LDCs (Least Developing Country) barrier and opportunities with in the year of 2016 with trusted name in quality medicine.

■ Environment:

All necessary precautions will be taken to reduce the environmental impact to a minimum standard. The company already got the environmental clearance. The

factory will have insignificant negative impact on environment because our factory location is every much environment friendly to manufacture finished medicines in pleasant environmental atmosphere.

■ Safety:

Anyone entering the factory in working hour uses shoes with hygienic cover, hand-gloves, aprons and required safety measure. In addition fire fighting system is there to support. Central has established autonomous local operations for development of the health sector, sales and marketing and production adapted to specific regions.

Central has established to assists people who are still (capable of walking on their own suffering to buy quality medicine in Pharmaceuticals marketing sector.

■ Management policy

- Proceed always with ambition and youthfulness.
- Respect sound theory, develop first ideas and make the most effective use of time.
- Enjoy your work and encourage open communications.
- Strive constantly for a harmonious flow of work.
- Strive to address important environmental and safety issues.
- Be ever mindful of the value of research and endeavor.
- Shaping dreams with creativity and ingenuity.
- Creating consistent quality nationwide and worldwide
- Central Pharmaceuticals Ltd. continues improve its manufacturing operations for the mass people.

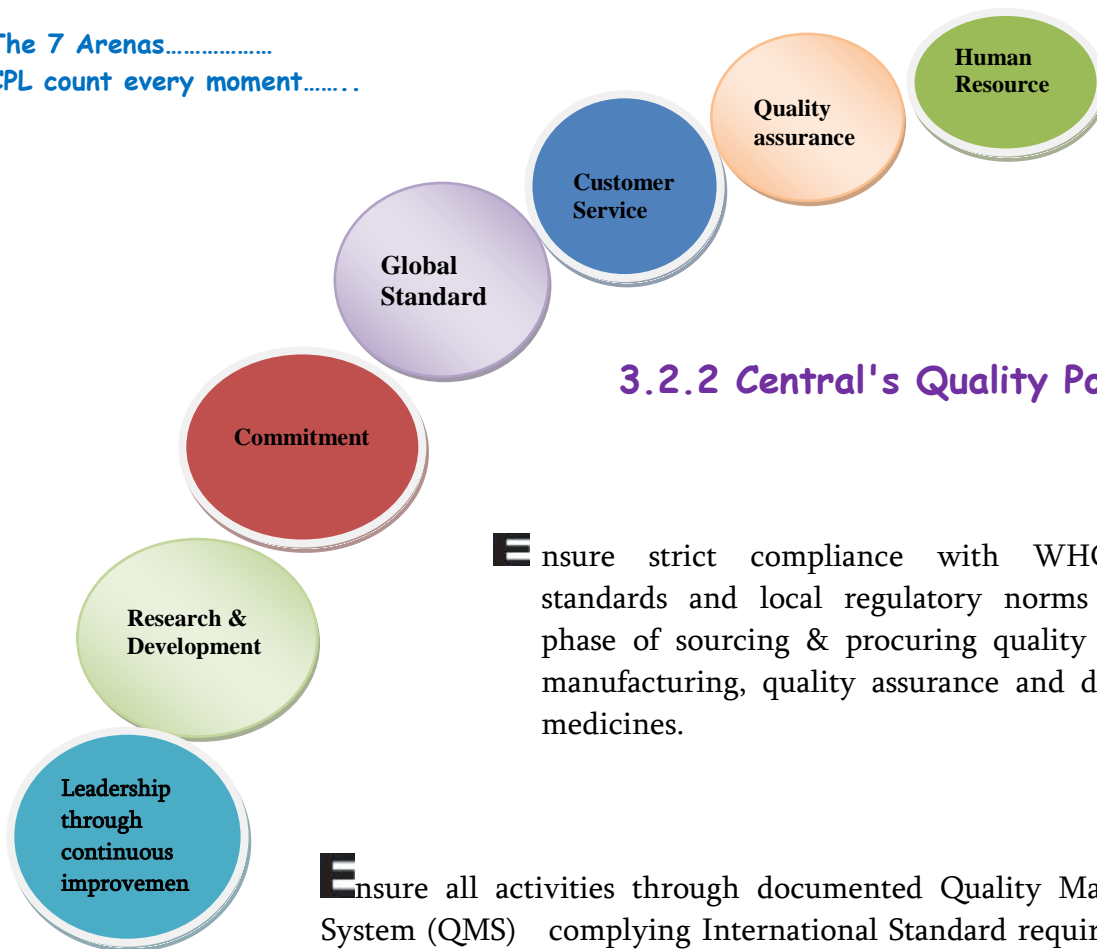


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■ Major Focus of CPL:

- To improve the health status of population particularly of mothers and children;
- To consolidate and strengthen existing primary Health Care (PHC) program;
- To prevent, control and treat major communicable and non communicable diseases; &
- To promote adequate production, supply and distribution of essential drug vaccines and other therapeutic agents.
- The power to realize dreams creates new dreams.
- To maintain customer trust and satisfaction nationwide
- Aiming for highly efficient production.

The 7 Arenas.....
CPL count every moment.....



3.2.2 Central's Quality Policy

Ensure strict compliance with WHO cGMP standards and local regulatory norms in every phase of sourcing & procuring quality materials, manufacturing, quality assurance and delivery of medicines.

Ensure all activities through documented Quality Management System (QMS) complying International Standard requirements of ISO 9001 through continuously developing Human Resources by regular training and participation.



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3.3 Marketing concepts (Marketing Mix) Implemented by Central Pharmaceuticals Ltd.

3.3.1 Product Gallery of CPL (Trade Name Wise)

ACELON	CYTAPLEX-M	ANTRIN	DP-DONE
ALBAZOL-DS	CYTOCID	OC-20	AZITOR
C-ZINC	DICLON	ARIGRAM	DOXICEN
BENZALIC	CEMOXIN	FEROFOL-Z	NEOFLOX
CENTAGAN	CENTRIM	VITA-C	CENTAMOL
CEDOL	CENET	CYTAPLEX	VENTOL



3.3.2 Pricing

The prices of products under controlled category are determined by the Government while the manufacturing companies are allowed to fix prices of their products that are under decontrolled categories.

Central Pharmaceuticals has grown accustomed to the pricing freedom afforded by certain markets. They sometimes face price restrictions, including reference pricing, profit limits, price reductions and other measures combine to create a global market with price constraints growing increasingly numerous. In this increasingly complex marketplace, CPL use segmentation analysis, health outcomes research, parallel trade evaluation and demand analysis to craft a coherent pricing strategy that anticipates regulatory entanglements.

Evaluation of the factors that affect the pricing of the CPL's product

Pricing has never been more of a key issue for the industry than it is right now. Yet, even with the increased importance of pricing strategies, a lack of focus on critical market factors leads many manufacturers to forego profits or increase their vulnerability to



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aggressive payers. Pricing is always changing because the environment is changing and there are some factors which is always influencing the pricing strategy. Aligning pricing and contracting can achieve a sustainable competitive advantage. There are some factors on which the pricing strategies of CPL are set.

■ Demand Analysis

Understanding the dynamics of prescription use is of critical importance to developing an optimal pricing strategy. Across different physician types, the propensity to use a particular therapy and, as a result, the willingness to pay for a therapy, vary greatly. Central Pharmaceuticals set price after analyzing the product demand analysis. Demand analysis focuses on three critical questions:

- The key decision makers for the use of this medicine
- Affect of the price sensitivities of key decision makers
- Prescribing preferences vary across markets of interest.

■ Key decision Makers

A fundamental truth underlies all prescriptions and provides constancy when considering product's price. Physicians know which therapeutic options are best for their patient. Provided a new pharmaceutical offers clinical advantages relative to current treatment methods, physicians, especially key opinion leaders, will motivate Prescriptions, both through their own prescriptions for the product as well as their recognition of clinical advantages in public forums. CPL emphasizes the importance of a new medicine by recruiting key opinion leaders for clinical trials and health outcome analyses to boost the credibility and distribution of information related to their new medicine. Payers affect therapeutic choice in a less direct but often more substantial manner: by limiting the class of options from which a physician can select a medicine. Some payers may not reimburse certain products, or might reimburse only under certain circumstances. Patients can play a significant role in the prescribing decision, especially for certain types of therapies under certain healthcare systems. Granted, patients often defer to their physicians when considering therapeutic options, but with the increase in 'lifestyle' products, the broader availability of health information and direct-to-patient marketing initiatives, patients increasingly express a preference for a particular therapy. In certain markets, patients also have a direct financial incentive to guide their drug decisions, as cost-sharing requirements can result in higher costs for certain therapeutic options.



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■ Price Sensitiveness

As noted above, key decision makers might be price insensitive, depending on the regulatory structure of the market. Some countries, such as Japan, have regulatory systems that provide economic incentives for physicians to use certain therapies. Some European markets discourage physicians from higher priced therapies by establishing physician budgets for prescriptions. Similarly, countries vary greatly in the degree to which patient price sensitivity is encouraged or structured in local regulations. Payer price sensitivity, of course, is a redundant phrase as payers are universally interested in methods to reduce prices. Central Pharmaceutical should have a firm understanding of the local dynamics among these three parties when establishing a launch of pricing strategy. Integrating the results of these analyses would reinforce a tailored approach to maximize returns. If the market is price sensitive, then CPL must be more conscious when increasing or setting price. But if the market is price-insensitive, then CPL can think about profit maximization.

■ Account segmentation

A fundamental first step in determining an optimal price is to prioritize the opportunities available from those who might purchase or use the medicine, including patients, physicians and payers. Not all purchasers will have the same sensitivity to price, and not all will purchase similar volumes. The goal of an optimal pricing strategy is to accurately predict the price sensitivity, willingness to pay and expected purchase volumes of customer groups. Effective segmentation analysis will answer of the factors across the customer population:

- ✓ Price sensitivity of the segment
- ✓ Price-sensitivity of total market
- ✓ Responsiveness of the competitors to the segment

Segments can be defined using a number of criteria, such as

- Cost-sharing liability,
- Disease status,
- Physician type,
- Acute/chronic disease type,
- Payer size and
- Predisposition to generic use, among others.



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There is no single correct method to segment the market, as the appropriate tactic will depend on market and product characteristics. To be successful, Central Pharmaceuticals must produce segmenting methods that are homogeneous within and heterogeneous among. Once these categories of purchasers have been defined, pre-launch efforts and strategic focus should obviously be directed to those segments of the highest priority, typically those segments that exhibit the greatest profit potential.

■ Pricing strategies implemented by Central Pharmaceuticals:

- **Average Manufacturer Price (AMP):** The average price paid to a manufacturer by wholesalers for drugs distributed to retail pharmacies.
- **Average Sales Price (ASP):** The weighted average of all non-Federal sales to retailers net of charge backs, discounts, rebates, and other benefits tied to the purchase of the drug product, whether it is paid to the retailer.
- **Estimated Acquisition Cost (EAC):** EAC is a state Medicaid Agency's (DRUGS) best estimate of the price generally paid by pharmacies for a particular drug.
- **Maximum Allowable Cost (MAC):** MAC lists are designed to cap reimbursement for certain generic and multi-source brand products. States and private payers with MAC programs typically publish lists of selected generic and multi-source brand drugs along with the maximum price at which the program will reimburse for those drugs. In general, pharmacies will receive payment no higher than the MAC price when billing for drugs on a MAC list.
- **Cost plus Pricing:** When price is set above total cost of the products or considering the cost of the product, then it's called cost plus pricing. Maximum time, CPL follow this pricing strategy.



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3.3.3 Distribution Channel:

CPL has the strongest distribution network for smoothing distribution of medicines to all parts of the country. Currently it has 10 depots all over the country. Those are situated at Dhaka, Bogra, Khulna, Barisal, Comilla, Mymensingh, Chittagong, Noakhali, Rajshahi and Madaripur. It uses own transport system to deliver its product to the stockiest and retailer.

CENTRAL 's NATIONWIDE DISTRIBUTION

Supply Right products in Right place in Right time

Main Area	Sub-area
Dhaka City: Chittagong:	Mirpur, Uttara, Badda, Jatrabari, Postogola, Kawran Bazar Amirabad, Bondortila, Chowdhury hut, Kaptai Road, Hatahzari, Patia, Mohesh Khali, Chittagong City, Nazirhat, Pahartali.
Cox's Bazar: Noakhali:	Cox's Bazar, Teknaf, Chokoria, Ukhiya, Ramu. Maijdee, Maijdee East, Maijdee North SubornoChar, Charbata, Maijdee West, Bashur hut, Senbug, ChowMohonee, Sonaimuri.
Feni: Laxmipur:	Feni, Fulgazi, Dagonbhuiyan, Laxmipur, Ramgonj, Roypur, Alexander, Chandragonj, Hydergong, Faridgong
Comilla:	Comilla, Chandina, Laksam, Daudkandi, Debiddar, Brahman Para, Barura.
Chandpur:	Chandpur, Chandgar Char, Kachua, Faridgonj, Hazir hut, Bahubal, Ajmirigonj, Hydergong
Narayangonj: Savar:	Narayangonj, Fatullah, Rupgonj, Araihasar, Sonargaon Savar, Dhamrai, Manikgonj
Munshigonj: Norsindi	Munsigong, Sirajdikhan, Keranigonj, Sreenangar Norsindi, Monohordi, Roypura
Bhairab:	Bhairab, Shibpur
Dohar:	Dohar, Faridpur, Nawabgonj, Horirampur, Boalmari, Rajbari
Tangail:	Tangail, Modhupur, Ghatail, Sakipur, Nagorpur



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Gazipur:	Gazipur, Mawna, Konabari, Kaligonj, Tongi, Ashkona
Bhola:	Bhola, Charfession, BorhanUddin, Tazumuddin, Lalmohon, Monpura
Barisal:	Barisal, Barguna, Gouranadi, Kalkini
Gopalganj:	Gopalganj, Kotalipara, Muksedpur
Mymensing:	Islampur, Fulbaria, Bakshigonj, Sherpur, Melandah, Madergonj
Bogra:	Bogra, Naogaon, Mithapukur, Joypurhat, Sherpur, UllahPara / Sirajgong,
Bagerhat:	Bagerhat, Chitolmari, Fakirhaat. Rupshah, Morolgonj, Kachua, Perojpur

3.3.4 Promotional activities:

In Bangladesh, promotion of pharmaceuticals products in the mass media is strictly prohibited. Manufacturing companies can only promote their brands to the health professionals by personal selling, clinical meetings, seminars and symposia. For promotion with printed promotional materials like literatures, pads, posters and stickers, the manufacturing have to submit the same to the drugs administration for approvals and upon their clearance the companies can promote their products using those promotional tools.

To achieve their purpose and mission, CPL affirm their values of integrity, respect for people, innovation, performance and leadership. Around 4000 individuals from diverse disciplines including pharmacy, microbiology, MBA, Accounting, Engineering and Medicine are working nationwide under the umbrella of Central. All the skilled and professional personnel are set at their very appropriate responsible positions. Their sales team comprising highly professional science graduate and post-graduate people are involved in the timely and smooth promotion of our products for the benefits of our doctors, people as well as the whole nation.

Healthcare Success Strategies specializes in results-based medical marketing. they work with hospitals, medical practices, device manufacturers, pharmaceutical and clinical trial patient recruitment, dental practices and more.

Their services include:

- Healthcare marketing planning and consulting,
- Medical advertising agency services,



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- Healthcare marketing seminars,
- Medical marketing CDs and DVDs, and
- Creative services including ads, brochures, websites, logos and more.
- They even provide free healthcare marketing articles, free medical marketing special reports, a free newsletter, a free medical marketing assessment and free medical marketing consultations.

■ Scope of spending money on marketing of Central pharmaceuticals

- Free samples-56%
- Detailing of physicians-25%
- Direct to user advertising-12.5%
- Hospital detailing-4%
- Journal ads-2%

■ Marketing to health care providers takes four main forms:

- **Gifting,**
- **Detailing,**
- **Drug samples, and**
- **Sponsoring continuing medical education (CME).**

📄 PHYSICIANS-TARGETED PROMOTIONS

Central Pharmaceuticals' promotions subconsciously influence physicians' prescription patterns, which include free office supplies, all-expenses-paid events, sales representatives, and awards to physicians. Promotion-induced subconscious influence is a widely studied phenomenon. Frequent contact with sales representatives also changed prescription practice. Doctors who had contact with pharmaceutical representatives were 13 times more likely to ask that a particular drug be added to an insurance plan's list of approved drugs. An ideal physician provides his or her patients the best available care for the most economical price; however, despite physicians' reassurances, studies show that promotions influence how they prescribe. If doctors under subconscious influence prescribe the promoted drug and it is a more expensive alternative, thereby causing patients to incur higher treatment costs, in theory at least, the patients are still receiving quality care.



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■ DIRECT-TO-CONSUMER ADVERTISING

Heavy direct-to-consumer (DTC) advertising strongly correlates with increased sales for the promoted drugs but, in terms of both money and health, may not be in the best interest of patients. The following data better illustrate the fact that higher expenditures in drug advertisements result in an increase in the number of prescriptions written for that drug and thus, greater profitability. DTC advertising may have prompted those who previously had no need for the drug to imagine that their conditions were more serious and needed the help of the drug.

Central Pharmaceuticals Ltd. performs this direct-to-consumer advertising strategy by their “Medical Promotion Officer”.

■ Job Description of MPO:

- Survey the prescription of the visited doctors
- Collect orders to make supply to the nearest chemists
- Visit 4-6 doctors in a day that includes at least 2 MBBS doctors
- Everyday they have to visit at least 10 chemists and will secure orders
- Must submit at least 15-20 Doctors (MBBS) personal profile from their territory as per company format
- MPOs are responsible for Sales & collection in their territory.
- You will have to receive the sales money receipt from the **respective Depot** within the month. Without sales acknowledgement copy no claim shall be entertained.

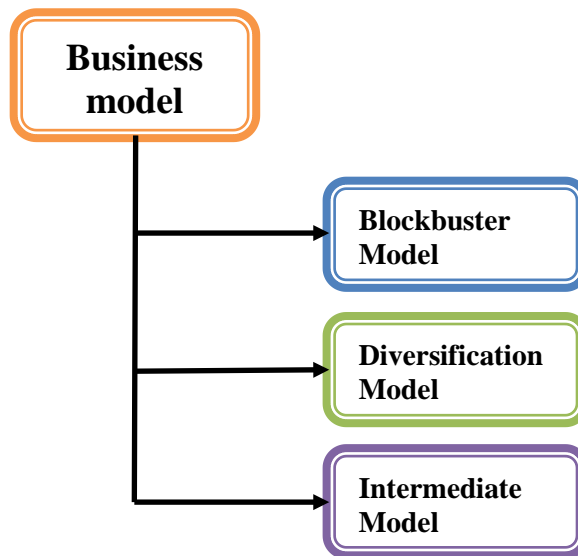
3.4 Business Model Description

Central Pharmaceuticals Ltd offers a wide range of prescription drugs to patients based in region and nationally. Both generics and name brands are offered. MPOs are always ready to



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serve them. One of the constants of pharmaceutical company strategy over the past decade has been increasing scale. Only by growing larger are companies able to afford the considerable costs of drug development and distribution. There are some business models for Pharmaceuticals Company.



- (i) **Blockbuster model** involving the search for, and distribution of a small number of drugs that achieve substantial sales. The success of this model depends on achieving large returns from a small number of drugs in order to pay for the high cost of the drug discovery and development process for a large number of candidates. Total revenues are highly dependant on sales from a small number of drugs. As Central Pharmaceuticals has shortage of capital, so they follow this blockbuster model.
- (ii) **Diversification model** in which a larger number of drugs are marketed to smaller niche markets. The advantage of this model is that its success is not dependant on sales of a small number of drugs. However without a blockbuster to help pay for the high development costs, the model only works for small markets where distribution costs are low.



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- (iii) **Intermediate model** which borrows some of each. To date the blockbuster model has been recognized by industry analysts as the dominant model. However interest in alternative models is growing as consideration is being given to the marketing of biotech drugs with smaller markets and higher treatment costs and the expectation of more personalized medicine. This paper is mostly concerned with the blockbuster model.

3.5 SWOT Analysis of Central Pharmaceutical Ltd:

3.5.1 Strength:

- Central is providing value, quality goods and services, overall excellence and the largest distribution network in the country and doctors' level marketing.
- Central pharmaceuticals ltd has various product lines compared to its rivals. Unlike its rivals it produces various kinds of medicines to focus and meet the different needs of the consumers.
- Annually it spends a huge amount of money only in product innovations and every time it comes up with a new innovation compared to its competitors to fill the untouched market segments.
- It has Company Strength & product strength, Company strengths effects positively on the product, & products strength also effects positively on the Company.
- Central has highly skilled sales forces & very efficient & wide distribution channels.
- Being in the top for this long time resulted in a very positive impression for all their products in the minds of the doctors & patients already, it occupies a good position in their minds.
- The built in positive impression on our products which is in the minds of the doctors & patients helps us to get a very good response from the market for any product we introduce in the market.
- The number of sales force of the company, their capability, Training & selling skills are in better condition & position then any other company in the industry.



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- Central follows very transparent marketing activities; there is no misleading or fraud, that's why it enjoys a good reputation in the market.
- A unique, current business-environment-appropriate business model.
- The ability to scale rapidly for the mail order side of the business.

3.5.2 Weakness:

- Lack of spending power, the pharmaceutical market remains tiny in comparison with the population size.
- Less capital strength.
- R&D activities of the company have to be improved if it wants to compete with the competitors.
- The market is dominated by cheap, locally produced generic drugs used for the treatment or prevention of basic illnesses. Therefore major revenue sources come from antibiotics, vitamins, pain-killers and anti-asthma drugs.
- Central Pharmaceuticals can not operate each of the product line with equal efficiency.
- Central has lost the opportunity to be the first introducer of any medicine & can't enjoy the benefits of it.
- Central needs to consider the loss of late introduction & work on market considering this disadvantage.
- The lack of visibility and brand equity of a start-up business.
- Lack of true experience running a mail order outfit.
- Government intervention/regulation into medicine is possible.

3.5.3 Opportunities:

- Industries in Bangladesh including some world class manufacturing industries that are providing 97% of the total medicine requirement of the local market.
- It has enjoyed an average growth of 12% for last 5 years.
- As per TRIPS/WTO agreements only 50 LDCs including Bangladesh will be able to export their patented drugs.
- Central Pharmaceuticals has a strong manufacturing base for pharmaceuticals and is therefore in a unique position to exploit this opportunity.



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- Nowadays the population of Bangladesh is rising tremendously. A large population means greater pollution, a greater pollution results various diseases, and so it has a great opportunity to expand its sales due to the persistent increase in the population.
- The consumption of food items containing preservatives results in various kinds of diseases that in turn acts as an opportunity in the expansion of its sales.
- The constant growth of the number of people taking medication.
- An increase in health-conscious consumers,
- Increased demand for pharmaceutical products,
- Changes in Food and Drug Administration standards
- Decreases in employee health care costs.

3.5.4 Threats:

- Price Hike of Raw materials.
- Lack of Hi tech Quality control Laboratory
- Many competitors do exist in the pharmaceuticals industries and in future they may expand in order to have head-to-head competition with Central pharmaceuticals. And if the other firms get more efficient than Central pharmaceuticals in future so Central may forfeit its market share to aggregate.
- **Political threats:** Politically, Bangladesh appears stable after decades of instability and coups;
- **Economical threats:** Economically, Bangladesh's real growth is projected to fluctuate in the forecast period, peaking at 6.7% in 2015.
- **Retail-oriented distribution process:** The Bangladeshi pharmaceutical distribution network tends to be more retail-orientated and the bulk of distribution is done by the companies themselves.
- **Prevalent of illegal and unlicensed drug stores:** An anarchic situation is prevailing in the marketing and sales of medicines in Bangladesh. Thousands of illegal and unlicensed drug stores exist in cities, towns and rural haats and

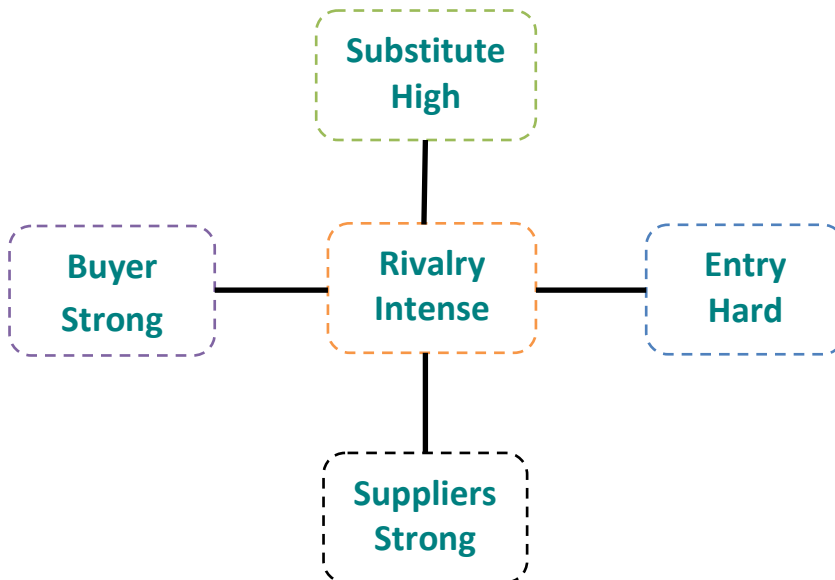


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bazaars, which leads to the unnecessary sale of often poorly-manufactured pharmaceuticals.

3.6 Porter's Five Forces Analysis on the basis of CPL

In Bangladesh, Pharmaceutical is one of the fastest growing sectors. Bangladesh Pharmaceutical industry is now heading towards self-sufficiency in meeting the local demand. The finished formulation-manufacturing base of Bangladesh is strong.





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3.6.1 Substitute High

The 245 pharmaceuticals companies have 5,300 brands many firms offering similar products and services because of the absence of patent protection. Cost of switching is relatively low.

3.6.2 Suppliers Strong

Currently only 20% of the Active Pharmaceuticals Ingredients (API) are produced internally the rest are imported. Too small size of the most of the players makes it unattractive for investment in API production.

3.6.3 Entry Hard

A capital intensive industry requiring huge fixed costs in machinery and extensive R&D Government policy makes it hard for the companies to enter the market.

3.6.4 Rivalry Intense

About 245 firms operate with only 5 MNCs. Top 10 players hold about 64% of the total market. Square and Beximco together holds 25% market.

3.6.5 Buyer Strong

Due to restriction on direct promotion of drugs companies have to market through key opinion leader i.e. the doctors by inducing them to suggest a particular drug. This often results in unfair practice.

3.7 Competitive Advantage of CPL:

The pricing and other competitive strategies of pharmaceutical companies have been altered by revolutionary developments in information technology, new state drug substitution laws, federal legislation, and the emergence of market institutions that



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include health maintenance organizations (HMOs) and pharmacy benefit managers (PBMs). An important and sometimes overlooked factor that distinguishes one company from another in the pharmaceutical industry is strategic planning. Low-cost high-quality drugs benefit society and helps provide pharmaceutical companies a competitive edge.

There are some factors which drive the price and quality competitiveness of Central Pharmaceuticals.

3.7.1 Distinguished operational capability:

In 1980, it was small in operation but big in dreams and passionate with its vision-building a healthier tomorrow where people will live longer, healthier and happier. Its activities have always been centered on developing core competencies to deliver the best in the industry ensure superior value and return to customers.

3.7.2 Consistently delivering high quality products:

The name “Central Pharma” has become synonymous with “trust” and “reliability”. Quality is its relentless passion. Quality is ingrained in their values and all it does. Its business process practices are designed to achieve quality results that would meet the expectations of patients and physicians by getting the highest quality products and of shareholders and stakeholders through returns.

3.7.3 Professional management capability:

Central Pharma is one of the company in implementing corporate governance professionally run a company in Bangladesh. Its provide an environment which fosters creativity, innovation, self-development and entrepreneurship.

3.7.4 Adopting innovation in manufacturing process:

Central Pharma has always been adopting innovative technologies that introduced both sophistication and scale in their business process. It also focuses on improving



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manufacturing efficiency to meet the challenge of maintaining the bottom line of the business in an ever changing competitive market place.

3.7.5 Low manufacturing Cost:

Bangladesh has a clear advantage due to low labor costs. Another major source of competitive advantage of Central Pharma is low manufacturing cost for low labor cost.

3.7.6 R&D capability in both formulation and API (Active Pharmaceuticals ingredients):

R&D is another area where Central Pharma has already shown capability and led the Bangladesh Pharmaceutical market in both formulation and API (Active Pharmaceuticals ingredients) R&D. it's formulation R&D capability is proven not only by the consistent quality of it's products but also by it's ability to introduce high-tech, specialized products and dosage forms. The reverse engineering capability of the R&D team has enabled it to introduce innovative new products to serve the ailing people at home and abroad.

3.7.7 Sales & marketing capability focused on brand building:

The major source of competitive advantage of Central Pharma is it's sales & marketing team. It's marketing team is composed of innovative people from diverse discipline. Because of the innovative and creative approach adopted by it's marketing team. It has been able to create many vibrant brands like CEMOXIN, CENTAMOL, ACELON, AZITOR, C-ZINC, ALBAZOL-DS etc. in fact the ability of it's sales and marketing team to differentiate their brands even in a crowded generic market is Central Pharma's major competitive advantage.

3.8 Corporate social Responsibilities by Central Pharmaceuticals Ltd.:

In recent years, the concept of Corporate Social Responsibility (CSR) has become increasingly important to the general business community and to those who seek to



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influence the activities of companies and industries. CSR also ensures that a business is focused on minimizing potential negative impacts of its operations.

CSR is an increasingly important tool to maximize the positive development impact of corporations and commercial activity in the developing world.

CPL believes it can thrive only if the nation remains healthy. It gives emphasis to its practice of Corporate Social Responsibility (CSR) and evidence of this commitment is found in its dealing with clients, suppliers, employees, Government's and the society at large.

Central consider the interests of **customers, employees, shareholders , communities , and ecological considerations** in all aspects of their operations. This obligation is seen to extend beyond their statutory obligation to comply with legislation.

Central's activity goes well beyond the sphere of business. As socially conscious and responsible corporate body Central is committed to the improvement of the society as a whole. It strongly believes that commitment towards people and the society as a whole positively contributes towards its business objective.





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Chapter 4

Marketing Practices of Central Pharmaceuticals Ltd.

4.1 Marketing Communication Strategy

4.1.1 Personal Selling

4.1.2 Sales promotion

4.1.3 Direct marketing

4.1.4 Public relation

4.2 Promotion Mix Strategy

4.2.1 Push promotion

4.2.2 Pull promotion

4.3 Marketing strategies of Central pharma





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4.0 Marketing Practices of Central Pharmaceuticals Ltd.

Pharmaceutical marketing, sometimes called medico-marketing, is the business of advertising or otherwise promoting the sale of pharmaceuticals or drugs. There is some evidence that marketing practices can negatively affect both patients and the health care profession. Many countries have measures in place to limit advertising by pharmaceutical companies.

Mass marketing of prescription medications has been rare. It was long believed that since doctors made the selection of drugs, mass marketing was a waste of resources; specific ads targeting the medical profession were thought to be cheaper and just as effective. This would involve ads in professional journals and visits by sales staff to doctor's offices and hospitals. An important part of these efforts was marketing to medical students.

4.1 Marketing Communication Strategy

Pharmaceutical companies commonly spend a large amount on advertising, marketing and lobbying. In the Bangladesh, drug companies spend \$19 million a year on promotions. Advertising is common in healthcare journals as well as through more mainstream media routes. Pharmaceutical companies generally employ sales people (often called 'drug reps' or, an older term, 'detail men') to market directly and personally to physicians and other healthcare providers.

Name of the country	Spend money in Year	marketing
Canada	\$1.7 billion	In 2004
United States	\$29.9 billion	In 2005
Bangladesh	\$19 million	In 2011



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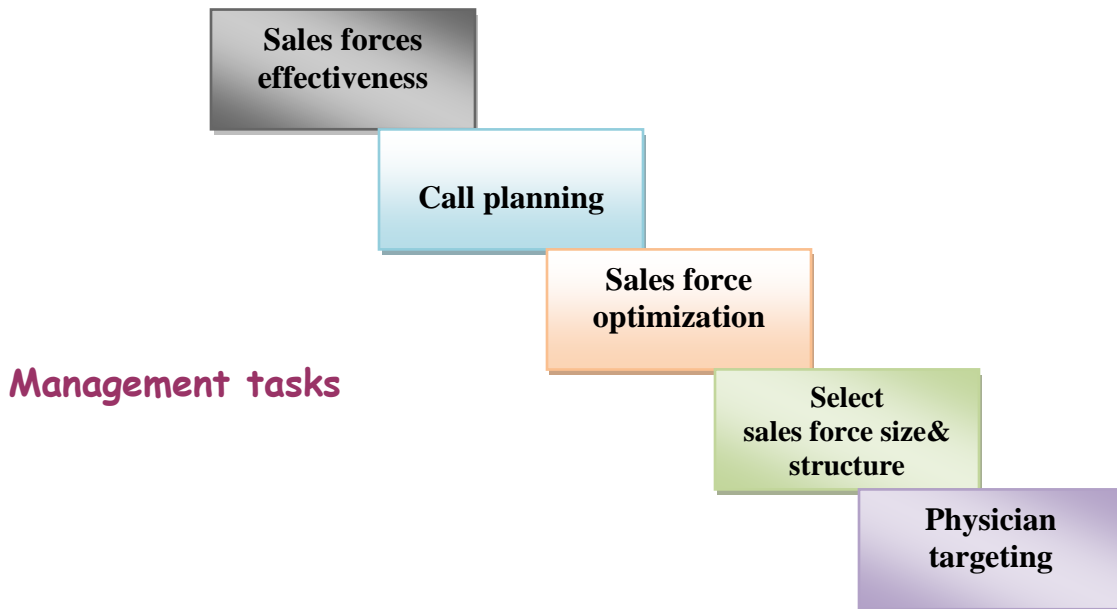
4.1.1 Personal Selling:

❁ Pharmaceutical representatives

Currently, there are approximately 550 pharmaceutical sales representatives in Central Pharma pursuing some 15000 pharmaceutical prescribers. A pharmaceutical representative will often try to see a given physician every few weeks. Representatives often have a call list of about 20-30 physicians with 12-18 targets that should be visited in 1-2 or 3 week cycle.

Because of the large size of the pharmaceutical sales force, the organization, management, and measurement of effectiveness of the sales force are significant business challenges.

■ Management tasks for pharmaceutical representative:



Central Pharma has realized that training sales representatives on high science alone is not enough, especially when most products are similar in quality. Thus, training



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sales representatives on relationship selling techniques in addition to medical science and product knowledge, can make a difference in sales force effectiveness. Specialist

physicians are relying more and more on specialty sales representatives for product information, because they are more knowledgeable than primary care reps.

Central Pharmaceuticals has 550 pharmaceutical representatives or 1 for every 7.9 physicians. The number and persistence of pharmaceutical representatives has placed a burden on the time of physicians. As the number of reps went up, the amount of time an average representative spent with doctors went down—so far down, that tactical scaling has spawned a strategic crisis. Physicians no longer spend much time with sales reps, nor do they see this as a serious problem.

CPL decides on the appropriate size of a sales force needed to sell a particular portfolio of drugs to the target market. Factors influencing this decision are-

- The optimal reach (how many physicians to see) and
- Frequency (how often to see them) for each individual physician,
- How many patients suffer from that disease state,
- How many sales representatives to devote to office and group practice
- How many to devote to hospital accounts if needed.

To aid this decision, customers are broken down into different classes according to their prescription behavior, patient population, and of course, their business potential.

CPL attempt to identify the set of physicians most likely to prescribe a given drug. They use additional information such as:

- Profitability of a prescription (script),
- Accessibility of the physician,
- Tendency of the physician to use the pharmaceutical company's drugs,
- Effect of managed care formularies on the ability of the physician to prescribe a drug,
- The adoption sequence of the physician (that is, how readily the physician adopts new drugs in place of older treatments), and
- The tendency of the physician to use a wide palette of drugs



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- Influence that physicians have on their colleagues.

Data for drugs prescribed in a hospital are not usually available at the physician level. Advanced analytic techniques are used to value physicians in a hospital setting.

Physicians are perhaps the most important component in sales. They write the prescriptions that determine which drugs will be used by people.

✿ The role of the Sales force:

Influencing the physician is the key to pharmaceutical sales. Historically, this was done by a large pharmaceutical sales force. Sales representatives called upon physicians regularly, providing clinical information, approved journal articles, and free drug samples. This is still the approach today; however, economic pressures on the industry are causing pharmaceutical companies to rethink the traditional sales process to physicians.

- Represent the company to the customers
- They find & develop new customers and communicate information about the company's products and services.
- They sell products by approaching customers, presenting their products, answering objections, negotiating prices and terms and closing sales.
- Represents customers to company
- Increasing communication between company and customers

■ **Management of sales force by CPL:**



4.1.2 Sales promotion:

CPL uses the sales promotional tools for the final buyers, retailers and for no-profit organizations. Specific types of gifts addressed in the incentives include meals, entertainment, pharmaceutical samples, funds for continuing medical education and professional meetings, textbooks, funds for physician travel, lodging and similar gifts.

■ **Promotional practice by Central Pharma:**

- Marketing to health care providers



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- Marketing to health To users
- To insurance and public health bodies
- To retail pharmacies and stores

🌿 Marketing to health care providers

Initiatives designed to instigate marketing reform in the health care arena are not new. In past years the government has loudly voiced its concerns that excessive meals, gifts, entertainment and other inappropriate financial benefits could be intended as payments to physicians to change their prescribing practices to the detriment of patients.

Emphasizing the ultimate responsibility of the individual physician to minimize conflicts of interest that may be at odds with the best interests of their patients, this incentives provides physicians with guidance on accepting all forms of gifts from industry In seven separate guidelines the incentives generally provides that any gifts accepted should primarily entail a benefit to patients, and should not be of substantial value. In any case, no gifts should be accepted if there are strings attached. More specific guidance, including specific gifts and suggested limits on financial value, are provided in later published clarifications to these incentives. There are different types of initiatives taken for Health Care Providers:

🌿 Free samples

Free samples have been shown to affect physician prescribing behavior. Physicians with access to free samples by CPL are more likely to prescribe brand name medication over equivalent OTC medications. Other studies found that free samples decreased the likelihood that physicians would follow standard of care practices.

Receiving pharmaceutical samples does not reduce prescription costs. Even after receiving samples, sample recipients remain disproportionately burdened by prescription costs.

It is argued that a benefit to free samples is the *“try it before you buy it”* approach. Free Samples give immediate access to the medication and the patient can begin treatment right away. Also, it saves time from going to a pharmacy to get it filled before treatment begins. Since not all medications work for everyone, and many do not work the same way for each person, free samples allows you to find which dose and brand of medication works best before having to spend money on a filled prescription at a pharmacy.



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☀ Pharmaceutical representatives

Central Pharmaceutical also employ representatives to visit healthcare practitioners in hospitals and offices to educate, update and provide samples of recent drugs their

companies have produced. As experts on these drugs, they present their products with confidence, assurance and with the ability to answer questions about side effects, insurance coverage, microbial coverage and more. With the understanding that Central pharmaceutical play active roles in marketing their products, it is important to ask, how much influence these companies have on healthcare practitioners' prescribing habits.

☀ Peer influence

■ Key opinion leaders

Key opinion leaders (KOL), or "thought leaders", are respected individuals, such as prominent medical school faculty, who influence physicians through their professional status. Central Pharmaceutical generally engage key opinion leaders early in the drug development process to provide advocacy and key marketing feedback. They also identify key opinion leaders through direct inquiry of physicians (primary research). Recently, Central pharma has begun to use social network analysis to uncover thought leaders; because it does not introduce respondent bias, which is commonly found in primary research; it can identify and map out the entire scientific community for a disease state; and it has greater compliance with state and federal regulations; because physician prescribing patterns are not used to create the social network.

Alternatives to segmenting physicians purely on the basis of prescribing do exist, and marketers can call upon strategic partners who specialize in delineating which characteristics of true opinion leadership, a physician does or does not possess. Such analyses can help guide CPL in how to optimize KOL engagements as bona fide advisors to a brand, and can help shape clinical development and clinical data publication plans for instance, ultimately advancing patient care.

■ Colleagues

Physicians acquire information through informal contacts with their colleagues, including social events, professional affiliations, common hospital affiliations, and common medical school affiliations. Central pharmaceutical identify influential colleagues through commercially available prescription writing and patient level data.



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Doctor dinner meetings are an effective way for physicians to acquire educational information from respected peers. These meetings are sponsored by CPL.

✿ Journal articles

A recent legal cases have provided the doctors to access to pharmaceutical industry including CPL documents revealing new marketing strategies for drugs. Activities once considered independent of promotional intent, including continuing medical education and medical research, are used. Health service providers are influenced by reading those journals.

✿ Private and public insurers

Public and private insurers affect the writing of prescriptions by physicians through formularies that restrict the number and types of drugs that the insurer will cover. Not only can the insurer affect drug sales by including or excluding a particular drug from a formulary, they can affect sales by tiering, or placing bureaucratic hurdles to prescribing certain drugs.

🌿 Marketing to retail pharmacies and stores

There were, however, 1,495 wholesale drug license holders and about 37,700 retail drug license holders in Bangladesh.

Commercial stores and pharmacies are a major target of non-prescription sales and marketing for Central pharmaceutical Ltd.

CPL provides these retail pharmacies and stores:

- Drug coupon
- Buy-back guaranty
- Discount off
- Free goods

4.1.3 Direct marketing:



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In recent decades there has been a development of what has been called "consumerism"--that is, a greater concern of the public who spend their money for goods and services to be sure that their interests are being served and, in turn, a response by the providers to pay more attention to the public's demands. Internationally, many pharmaceutical companies market directly to the consumer rather than going through a conventional retail sales channel.

The drug industry argues that DTCA advertising helps 'educate' consumers of potential conditions and encourages them to see their doctor for diagnosis and treatment. While acknowledging that DTCA increases the amount spent on prescription drugs, they argue that in the long run early treatment and diagnosis reduces spending on other medical services, such as hospitalization. There are some forms of direct marketing implemented by Central Pharmaceuticals Ltd.

■ Direct-Sales Tools

Physicians play an important role in healthcare marketing. A doctor recommends a treatment course and writes a drug prescription to treat her patient. That drug might be used for a week, a month or even years, so selling directly to physicians is vital to healthcare marketing. Healthcare manufacturers accomplish direct-sales marketing through physician-oriented product literature, establishing professional websites and conducting Continuing Medical Education seminars. CPL uses the top direct-marketing tool is, however, the drug sales representative who details physicians on the benefits of his company's drug, supplies the doctor's office with sample products, and encourages physicians to prescribe it. Direct selling of CPL products to doctors is the primary tool for ensuring a drug moves from the manufacturer's warehouse to the patient population, where it can do the healing work it was created to do.

■ Direct Mail

Direct mail is sending marketing messages to CPL's customers via postal mail. While direct mail isn't a new marketing tool, it's one that MPO can use to send targeted messages to customers. Try sending sales letters, brochures, postcards and fliers to their customer database with the end goal of increasing sales. A direct mail piece has several important components. The headline draws in your reader, and describes the biggest benefit of your product or service. Another important component of direct mail is the offer, in which CPL tell your customer what they're offering and what is in it for the customer. Lastly, MPO need to close with a call to action, which is what



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they want the customer to do after reading the direct mail piece. For example, "Go to our website today to learn how you can get a free trial of our weight loss product."

■ eDetailing

EDetailing is a marketing strategy Central pharmaceutical employ to connect with physicians and other health care professionals online. EDetailing allows the physician to schedule an appointment to talk to a pharmaceutical representative about drug and disease state information online rather than seeing a pharmaceutical sales representative in person. This saves time for both the physician and the drug company and allows for a more in-depth conversation, since the physician is meeting with the representative on his own time, rather than having to hear an unexpected presentation in his office while he is trying to tend to patients.

■ Face to face selling

Sales representatives of are the cornerstone of most Central pharmaceutical's business development strategies. Sales reps are responsible for "calling on" health-care professionals to communicate the benefits and risks of the company's products. The environment for sales representatives has changed drastically over the years. In the past, sales representatives provided freebies, tickets to concerts and sporting events and dinner to physicians in order to position their products favorably. There are now strict regulations on what pharmaceutical companies can do and see when interacting with health-care professionals face-to-face for selling.

■ Meal Meetings

Hosting a dinner meeting for physicians and nurses to give information about CPL's products is a convincing way to market. CPL usually organize a catered dinner meeting at a local restaurant's separate dining room, and give an informational presentation. Make use of this time by providing plenty of information in an organized folder or notebook that can be given to attendees. This is an opportune time to provide samples for physicians to take back to their offices or schedule meetings to discuss their needs.

■ Online Marketing

The Internet has proven itself an invaluable tool for Central Pharmaceuticals. Local physicians use online advertising or submissions to search engines and directories to



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ensure they will be found during a local web search. Hospitals, too, have online presences in websites that act as digital brochures.

CPL and insurers establish websites both for physicians and for patients to visit. The Internet allows drug makers to explain a disease condition thoroughly, using renderings and real-life patient cases, to provide answers to frequently asked questions and to offer a means to contact the maker, an insurer or a local physician. Insurers' websites give detailed descriptions of plans, coverage and benefits.

4.1.4 Public relation:

Public relations (PR) is the practice of managing the flow of information between an organization and its publics. Public relations provides an CPL using topics of public interest and news items that do not require direct payment. Their aim is often to persuade the public, investors, partners, employees and other stakeholders to maintain a certain point of view about the company, its leadership, products or of political decisions. Common activities include speaking at conferences, winning industry awards, working with the press, and employee communication.

The basic premise of online and offline PR is about getting an engaging message in front of target customer groups. The reality though is that online press releases if done properly can deliver wins on multiple fronts. While an offline release is designed to get out a message, create buzz and interest etc a well planned & executed online PR story can deliver targeted web traffic, gain high search engine rankings, build powerful back links as well as having the potential be picked up by other news sites, blogs, TV, offline press etc.

Specific public relations disciplines include:

- Financial public relations – providing information mainly to business reporters
- Consumer/lifestyle public relations – gaining publicity for a particular product or service, rather than using advertising



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- Crisis public relations – responding to negative accusations or information
- Industry relations – providing information to trade bodies
- Government relations – engaging government departments to influence policymaking

■ Public Relation Activities adopted by central Pharmaceuticals:

■ Journal Ads

Central Pharmaceutical place advertisements in journals that are relevant to their particular disease state. For example, a pharmaceutical manufacturer who develops a drug to treat hypertension may choose to place an ad in "Heart," an international peer-reviewed journal that keeps cardiologists up to date about advances in cardiovascular disease. This allows the drug company to gain exposure to its product among a highly targeted group of health care professionals.

■ CRM

CRM, which stands for "customer relationship management," is a marketing tool and business strategy that can help CPL to increase profitability and decrease costs by building customer loyalty. Health care executives can oversee CRM campaigns that serve as a marketing tool to build a database of loyal customers over time. Using CRM as a marketing tool means staying connected with customers through constant communication. This means CPL can send emails, letters and other marketing pieces that include valuable information for their customers. For example, the health care



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executive who works for a nutritional supplement company, CPL can send a monthly email to their customers that includes coupon codes for deals and discounts.

■ Digital Marketing Tools (Social media and social networks)

The Internet has led to the creation of several marketing tools that health care executives of CPL can use to promote their products and services. Search engine marketing is a digital marketing tool that lets health care marketers place ads on search engines that appear when customers type in specific search terms. For example, Central pharmaceutical may choose to buy search engine ads that appear when prospective customers search for information about their products and services. Social media marketing is another tool for health care marketers that use websites like Facebook and Twitter to communicate with customers. For example, a hospital may

create a Facebook or Twitter page to communicate policy changes, patient updates or staffing updates.

■ Fairs, Expos and Conferences

Attend health related fairs, expos and conferences. These events are frequented by medical professionals, as the hosts of these events, exhibitors and attendees. And CPL coordinate with event producers to secure a spot to present a specialty workshop or host after-hours events for targeted physicians at a local restaurant or private hotel dining area. If the conference is at a resort property, book a suite where you can host an information reception or networking mixer in your room to entice potential clients about your brand. This will build rapport and brand recognition.

■ Publications

Advertorials are advertisements with editorial content that can help educate the public about the benefits of CPL's products. They place advertorials in consumer magazines that attract readers in their target demographic.

Pharmacy journals are an applicable source of publicity because pharmacists and other health care professionals read them.



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■ Public Appearance

CPL get face-to-face attention by featuring their company at a convention or trade show. Have sales representatives attend conventions sponsored by health care industries that fit their line of products. Be sure to have plenty of product brochures available for interested buyers.

4.2 Promotion Mix Strategy

It is not enough for Central Pharmaceutical to have good products sold at attractive prices. To generate sales and profits, the benefits of products have to be communicated to customers. In marketing, this is commonly known as "promotion".

Promotion is all about companies communicating with customers.

CPL's total marketing communications program is called the "promotional mix" and consists of a blend of advertising, personal selling, sales promotion and public relations tools. In this revision note, we describe the four key elements of the promotional mix in more detail.

CPL can choose from two basic promotion mix strategies-

- Push promotion
- Pull promotion

4.2.1 Push promotion

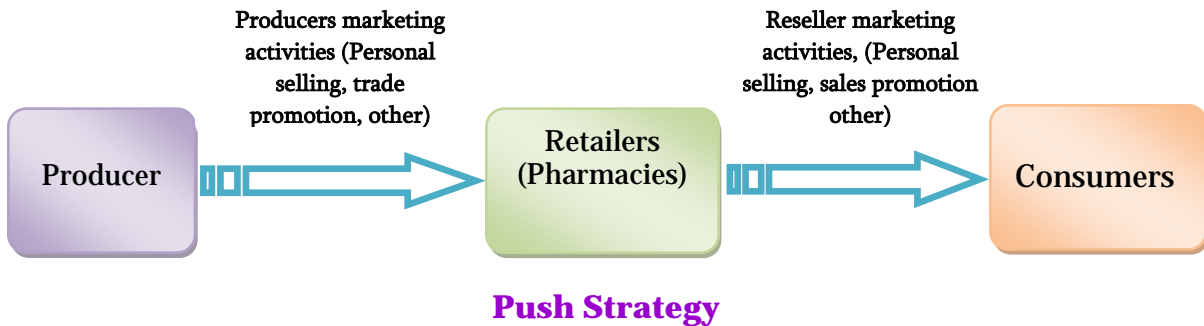
A "push" promotional strategy makes use of a company's sales force and trade promotion activities to **create consumer demand** for a product.



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The producer promotes the product to wholesalers, the wholesalers promote it to retailers, and the retailers promote it to consumers.

A good example of "push" selling is Central Pharmaceutical Ltd, it's manufacturing unit promote their products via retailers to the customers such as many medical pharmacies. Push Promotion Strategy of Central Pharmaceuticals:

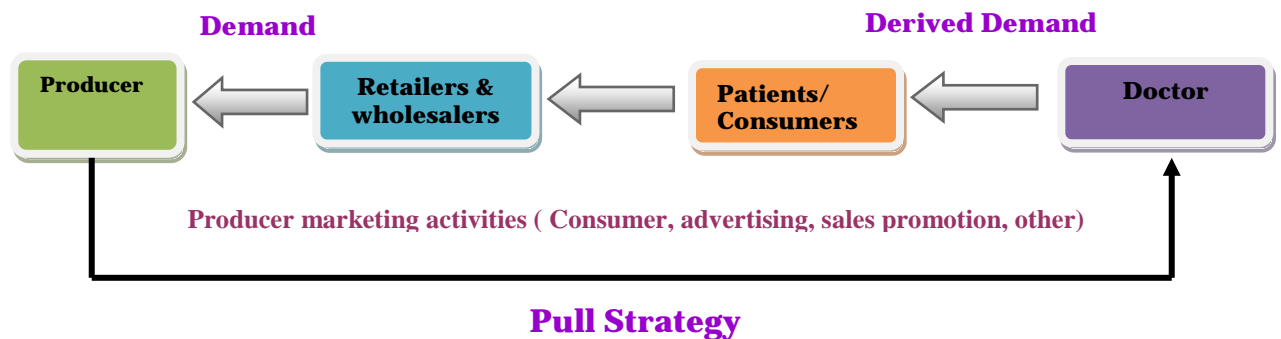


Personal selling and trade promotions are often the most effective promotional tools for companies. A "push" strategy tries to sell directly to the consumer, bypassing other distribution channels. With this type of strategy, consumer promotions personal selling and direct marketing are the most likely promotional tools.

4.2.2 Pull promotion

A “pull” selling strategy is one that requires high spending on advertising and consumer promotion to build up consumer demand for a product.

If the strategy is successful, consumers will ask their retailers for the product, the retailers will ask the wholesalers, and the wholesalers will ask the producers.



A good example of a pull is the heavy advertising and promotion of children's' toys or other brands – mainly on television. But this promotion strategy can not be applied by Central pharmaceuticals, because, it's a middle-classed pharmaceutical company and maximum time, consumers want to purchase the medicine of higher brands like-Square, Beximco, Incepta etc for their brand value.

4.3 Marketing strategies of Central pharma

Traditional pharma marketing has focused on 'prescribing doctors' with huge sales forces that were often directed to follow the carpet bombing method. Promotional budgets were high as those times were unknown of the phenomenon called recession. Mass communication was the norm and money was poured in to reach out to a huge number of largely scattered mass. Marketing plans are centered on product features and benefits in addition to sales force strength. Days of traditional pharma marketing are nearly over. In order to make present era successful and profitable, marketing strategies have to be realigned. Marketing and commercialization strategies are developed on the strong foundation of targeting and segmentation of customers and markets, to accommodate the evolving marketing dynamics and customer feedback.

From initial concept development to post launch assessment, customer inputs on design and positioning of a product are essential. Attempting to bring a product to market without sufficient customer feedback will ultimately limit product acceptance in the market place.

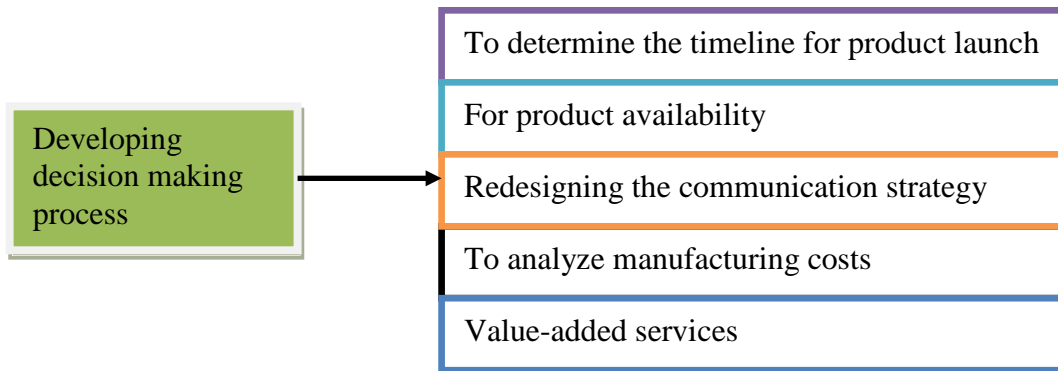
Customer feedback should be holistic and include the parameters like validating the market assumptions, assessment of the competitive environment, input on product



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specifications, determining the product value proposition, developing and testing the product positioning and obtaining product feedback on product's effectiveness and compliance.

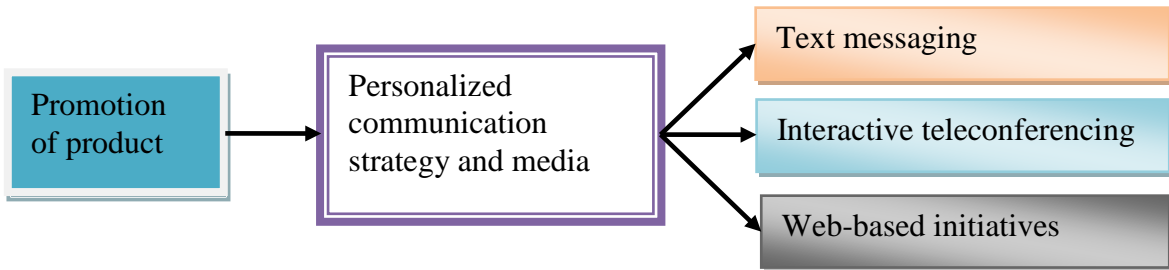
It is important to develop a decision making process which can be followed through to the customer feedback for further development of product to analyze manufacturing costs, redesigning the communication strategy, value-added services, product availability through efficient logistic network and sometimes even the timeline for product launch.



- CPL themselves need to bring in brand developers and health marketing experts to their organizations.
- Allow them to make a change.
- At the same time, support measures are required to start focusing much more on means to elevate the marketing and commercialization capabilities and implementation of those activities. In contrast to traditional norm of mass communication, today,
- The product is promoted through personalized communication strategy and media like web-based initiatives, interactive teleconferencing and text messaging.



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- The broad idea remains to tap as many technologically enhanced communication ways as possible. Further, CPL is training their field forces for a two-way communication with the customers. We can say that consultative marketing is gaining importance.

With advances in science and technology, they have to keep in mind the pace needed to keep up in the industry which is entering a critical period in its development. A failed product launch can be disastrous from a financial perspective and to the reputation of the product's brand in the marketplace.

Meticulously prepared comprehensive marketing strategy is essential for the successful commercialization of a brand. Highly pro-active marketing leadership would be instrumental in taking timely initiatives in response to the customer feedback and evolving market dynamics resulting in greater potential for overall market success.



Chapter 5

Marketing practices of pharmaceuticals industries in other countries





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5.0 Marketing practices of pharmaceuticals industries in other countries

Healthcare marketing is big business. It is also extremely competitive, whether physicians compete for patients in the same community or big pharmaceutical manufacturers make drugs for diseases that affect many people. Large or small, the challenge for healthcare marketers is to determine the best strategies to accomplish annual sales and growth goals for their businesses that are based upon those companies' prevailing market rankings. The media is filled with prescription drug ads because advertising is a powerful marketing tool at play in the healthcare industry.

Considering it cost the average pharmaceutical company \$1.3 billion to develop a drug as of 2006 according to The Pharmaceutical Research and Manufacturers of America, it is no wonder drug manufacturers employ a variety of marketing strategies to help increase revenue. Pharmaceutical companies still use traditional print- and broadcast-based marketing strategies like magazine ads, television and radio. However, online ad spending in the pharmaceutical industry increased 10.6 percent in 2010 according to eMarketer, which suggests digital marketing strategies are becoming more prevalent for pharma manufacturers. Marketers have advertised pharmaceuticals for many years. Marketers target consumers as well as hospitals, professionals and medical students using a combination of advertisements and information.

5.1 Mass advertising:

Mass advertising is still the most effective and efficient way to get a message out to the largest number of people. Big pharmaceutical use mass advertising as a primary marketing channel. Pharmaceutical companies primarily utilize television and magazine media.

One requirement of drug advertising is the disclosure of potential adverse effects from use of the drug product in the ad. In print, marketers are required to provide very detailed information on their product including chemical makeup, usage, and adverse side effects, right alongside the positive benefits of using the drug. In broadcast media, because of time limitations, manufacturers only need to verbalize adverse side effects. Too long a list of negative side effects can dissuade a consumer from using a drug. In



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such a situation, marketers have to weigh whether they should advertise directly to consumers or only to physicians.

5.2 Social Marketing

Social marketing, a companion to direct consumer marketing, promotes behavioral changes that affect wellness, rather than focusing on the benefits of specific products or services. While generally employed by public health organizations, social marketing does have commercial applications. For example, in conjunction with the release of new blood pressure medication, a drug company could sponsor public service announcements describing how a balanced diet and adequate exercise can improve blood pressure. The Quality Interagency Coordination Task Force suggests that social marketing creates educated consumers who seek out quality healthcare services and products.

5.2.1 Target key opinion leaders:

These individuals, often respected medical school faculty, can influence physicians' opinions. By sending press releases, advertising in medical journals and answering questions about the medications, they can answer any questions and allow them to relay the answers to their peers.

5.2.2 Influential Physicians:

Identify influential physicians at a medical facility and market to them so that they can communicate your message to others. Like opinion leaders, these people may potentially influence peers to consider your products the next time they're prescribing.

5.2.3 Trusted Advisor:

Trusted advisors keep patients informed. A “trusted advisor” approach demonstrates their interest in maintaining a long-term relationship rather than a “one-time-visit” mindset. Patients remain connected with, and return to, a trusted advisor.

5.2.4 Strong pharmaceutical representatives:



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Send pharmaceutical representatives to speak with physicians, especially those willing to learn about and prescribe a variety of drugs. Reps can distribute information pamphlets and samples to the hospital and physicians.

✓ **Sampling**

Sampling is a marketing strategy pharmaceutical companies use to help patients experience their products for free. First, pharmaceutical companies approach physicians, and ask them if they would like product samples. The physician can then hand out samples to patients who are affected by the condition the drug is indicated for. Sampling allows pharmaceutical companies to gain brand awareness among physicians and consumers.

✓ **SME and KOL Presentations**

Pharmaceutical companies market their products by training subject matter experts (SMEs) and key opinion leaders (KOLs) to deliver highly technical medical presentations about topics like disease state overviews, treatment innovations and drug mechanisms of action. The underlying principle of using KOLs and SMEs as a marketing strategy is if physicians find value in the medical education and guidance they receive from these experts, they may be more inclined to prescribe the company's products. Many times, the SME or KOL is a physician or other qualified health care professional, which adds to the credibility of the brand.

✓ **Drug coupons**

In the United States, pharmaceutical companies often provide drug coupons to consumers to help offset the copayments charged by health insurers for prescription medication. These coupons are generally used to promote medications that compete with non-preferred products and cheaper, generic alternatives by reducing or eliminating the extra out-of-pocket costs that an insurers typically charge a patient for a non-preferred drug product.

✓ **Painless Process**

Westfall describes this strategy as showing consumers how the product or service avoids more pain than the competition. That means emphasizing how their medical care delivers solutions to problems or answers a patient's need.



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5.3 Market directly to patients

Only two countries as of 2008 allow direct to users advertising (DTCA): the United States and New Zealand. Since the late 1970s, DTCA of prescription drugs has become important in the United States. It takes two main form: the promotion or creation of a disease out of a non-pathologic physical condition or the promotion of a medication. They may then go to the physician asking about specific medications. Direct-to-Consumer, or DTC, marketing is on the increase as consumers find themselves wanting more information about the medications they take.

5.4 Social Media in Medical Practice Marketing

One of the most intelligent and insightful physician practice marketing assessments is social media. The medical doctors and healthcare marketing professionals are finding new and creative ways to use social media as an agent for patient engagement, education and connectivity.

5.4.1 Technology-Based Solutions

When pharmaceutical companies cut their sales forces, they need to find innovative ways to reach their customers; technology is allowing them to do just that. Many pharma companies are now using e-detailing as a business development strategy. E-detailing means communicating the features, benefits and risks of products over the Internet. Rather than having a live sales person give a presentation, physicians are able to schedule appointments online to learn about the products they're interested in. This helps save pharmaceutical companies money and time. Pharmaceutical companies are also starting to use mobile marketing as a way to reach physicians. For example, a pharmaceutical company may develop an iPhone application that helps physicians track their patients' healthy eating and exercise behaviors. This is a value-added offering for both the physician and the patient. Social media is uncharted territory for most pharmaceutical companies, but we're starting to see many companies use social media as a new business development and marketing strategy.

5.4.2 Advertise online

More consumers are searching symptoms, diagnoses and meds on the Internet before going to their doctors. The average consumer is more knowledgeable, so working



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with medical websites and making sure your own website stays updated helps everyone.

✓ The Online Master

In the digital age, people are accustomed to gathering information online. Make it easy for patients to find you and navigate your site, to see you as an authoritative voice, and to discover the answer to their need.

✓ Healthcare Marketing Video

Some pharmaceuticals company promote their product is by using video in online healthcare marketing and advertising. Regular readers appreciate that they often write about using video on the website and in other medical marketing applications. Video is a useful, versatile and cost effective method to carry the marketing message or make their advertising point.

- ✓ 34% Promotional Videos
- ✓ 31% Demonstration Videos
- ✓ 28% Information Videos
- ✓ 26% Entertainment Videos
- ✓ 22% News Videos
- ✓ 4% User Generated Content (UGC)
- ✓ 3% Other

5.4.3 Search Engine Marketing

Search engine marketing, also known as SEM, allows pharmaceutical companies to place targeted advertisements that appear in search engines when people use specific search terms. For example, a hypertension brand may decide that customers frequently use search terms like "best heart drug," "hypertension treatment options" and "high blood pressure drugs" when searching for treatment information online. The pharmaceutical company can then bid on these key words and create an ad that appears when a customer searches for the key words.



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5.5 Collaboration

Mergers and acquisitions are commonplace in the pharmaceutical industry, and many companies are using these types of strategic alliances as business development strategies. When two companies combine their resources, they are often able to leverage the strengths of both companies to effectively market a product or service. Many pharmaceutical companies are now "co-promoting" some of their drugs, meaning two companies combine their capabilities to sell a single product or suite of products.

5.6 Marketing using Price Tools

While consumers may not consider price a tool in healthcare marketing, there is a tremendous price battle waged every day among generic drug products and their branded counterparts.

Even small-practice offices compete on price. General Practice (GP) physicians offer many of the same basic healthcare services. While physicians might want to be perceived as above price wars, if the subject of cost is raised, a physician may attempt to justify pricing. If pushed, he may reduce fees to retain a patient.

5.7 Marketing using Product Advantage Tools

With diseases that affect many people, such as diabetes or heart disease, there may be several innovator drugs competing in the same category. Some may have benefits for certain types of people and their makers often use those bases to differentiate themselves from competition or to target those particular patients. Statins, a class of hypertensive drugs, are recognized as more effective among African-Americans than other types of high-blood pressure medications, for example. Hence, statin makers may target their efficacy message to doctors who primarily treat patients of that race.

Other drugs or medical devices offer a clear product advantage over the current, state-of-the-industry method in popular use. It was a technological product advantage to offer diabetics the ability to blood-test on their forearms instead of pricking their fingers several times a day. So, too, MRIs, CAT scans and strides in robotics enable paralyzed or amputees to regain mobility. With a product advantage, the healthcare marketer does all he can to create high awareness for the product and its advantages while it is the sole patent holder. The marketing department usually attempts to communicate any product advantage, especially through advertising and public relations.



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Chapter 6

Supply chain management of Central Pharmaceuticals Ltd.





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6.0 Supply chain management of Central Pharmaceuticals Ltd.

The pharmaceutical supply chain is the means through which prescription medicines are delivered to patients. Pharmaceuticals originate in manufacturing sites; are transferred to wholesale distributors; stocked at retail, mail-order, and other types of pharmacies; subject to price negotiations and processed through quality and utilization management screens by pharmacy benefit management companies (PBMs); dispensed by pharmacies; and ultimately delivered to and taken by patients. There are many variations on this basic structure, as the players in the supply chain are constantly evolving, and commercial relationships vary considerably by geography, type of medication, and other factors.

The pharmaceutical supply system is complex, and involves multiple organizations that play differing but sometimes overlapping roles in drug distribution and contracting. This complexity results in considerable price variability across different types of consumers, and the supply chain is not well understood by patients or policymakers. Increased understanding of these issues on the part of policymakers should assist in making rational policy decisions for the Medicare and Medicaid programs.

6.1 Supply chain stages of Central Pharmaceuticals Ltd:

A supply chain consists of all parties involved, directly or indirectly in fulfilling customer's request. It includes not only manufacturers and suppliers, but also transporters, warehouses, retailers and customers themselves.

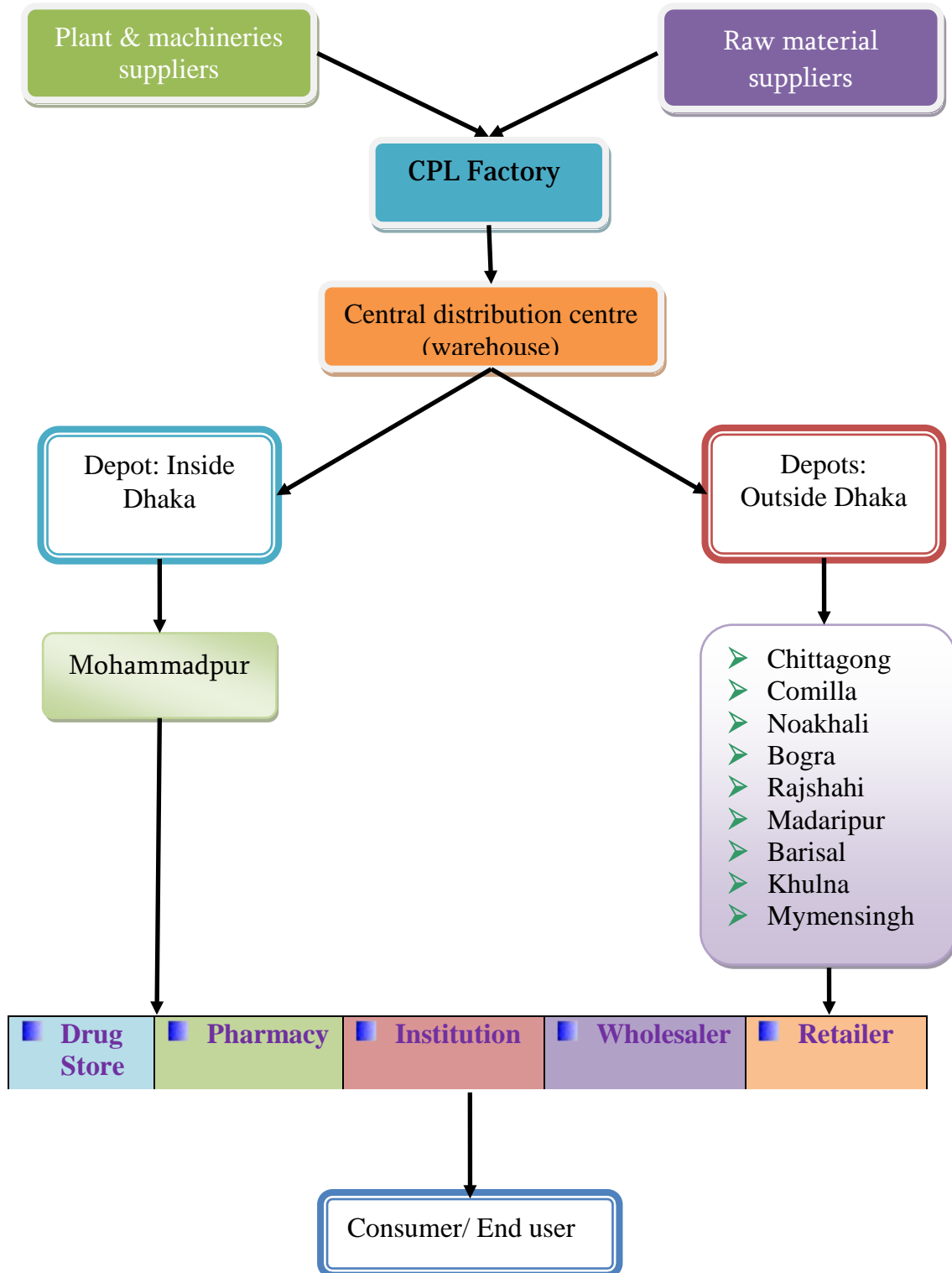
The key players and their financial relationships-

- *Pharmaceutical Manufacturers:*
- *Wholesale Distributors:*
- *Pharmacies:*
- *Pharmacy Benefit Managers (PBMs):*



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■ Distribution channel of CPL:





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6.1.1 Suppliers of CPL:

Major raw materials of CPL include many different types of dyes and chemicals. Suppliers of CPL are PROTECH SOLUTIONS, Active Fine Chemicals Ltd, MEGAWIN, Implex Corporation, Drug International Ltd etc provides these raw materials. Plant & machineries are imported from India, U.K, China, Taiwan, Korea, Japan by CPL.

6.1.2 Manufacturing Facilities:

Located at Mirpur, near the capital city Dhaka, CPL s manufacturing site is spread over an area of 20 acres which houses a number of self contained production units including oral solids, metered dose inhalers, intravenous fluids, liquids, ointments, creams, suppositories, ophthalmic drops, injectables, nebulizer solutions etc. The bulk drug unit for producing paracetamol is also located within this site. Central Pharma has its own utility infrastructure to ensure adequate generation and distribution of purified water at all times.

The manufacturing and packaging facilities have been designed to minimize generation and maximize containment of dust particles using closed transfer system and clean in place facility. All practicable measures have been taken to ensure that members of the staff are not exposed to unacceptable concentrations of dust particles. Process area, cubicles, storage area have been connected to vacuum dust cleaning. The design of the plant ensures automated materials handling systems and multilevel designs to enable gravity feed between processing stages. The building design has also allowed maximum engineering maintenance access without entering into the production areas.

6.1.3 Warehousing:

Storing of raw and packaging materials to meet the requirements of production and also storing and dispatch of finished products as per concept of Good Storage Practice of pharmaceuticals per concept of Good Storage Practice of pharmaceuticals. After manufacturing, CPL stores these products in their warehouses.



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6.1.4 Depots:

Then, from the storehouse CPL distribute these products to its depots inside and outside Dhaka. Central pharma can achieve responsiveness to customers demand by locating large inventory in the depots to the customers. This distribution centers distribute them to a variety of customers, including pharmacies (retail and mail-order), hospitals, and long-term care and other medical facilities (e.g., community clinics, physician offices and diagnostic labs). CPL is successfully operating distribution of medicine throughout 54 districts out of 64 districts in Bangladesh.

6.1.5 Retailers (Pharmacy):

After that, CPL provides the medicine to many pharmacies all over the country. Pharmacies are the final step on the pharmaceutical supply chain before drugs reach the consumer/patient. Pharmacies purchase drugs from distribution centre and MPO's and occasionally directly from manufacturers, and then take physical possession of the drug products. After purchasing pharmaceuticals, pharmacies assume responsibility for their safe storage and dispensing to consumers. Pharmacy operations include maintaining an adequate stock of drug products, providing information to consumers about the safe and effective use of prescription drugs, and facilitating billing and payment for consumers participating in group health benefit plans.

6.1.6 Consumers:

The ultimate destination is consumer. For different promotional activities, the doctors prescribes medicine to the customers and customers can get the medicine from many pharmacies and drug stores of hospitals.

6.2 Push/Pull view of the supply chain of Central Pharmaceuticals Ltd.:

All the processes in a supply chain fall into one of two categories depending on the timing of CPL's execution related to end customer demand. With pull process, execution is initiated in response to customer order. With push process, execution is initiated in anticipation of customer orders. Therefore, at the time of execution of a pull process, customer demand is known with certainty, whereas at the time of execution of a push process, demand is not known and must be forecasted. Push processes operate in an uncertain environment because customer demand is not yet

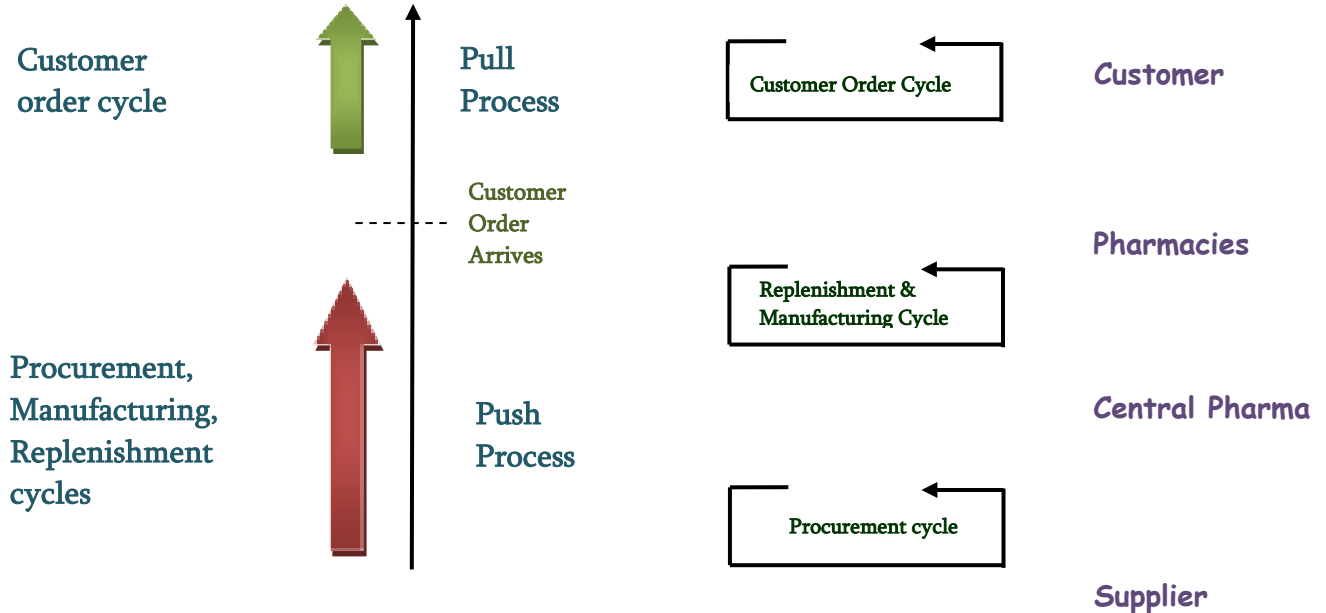


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known. Pull processes operate in an environment in which customer demand is known.

Here, Central Pharmaceuticals executes all process in the customer order cycle before the customer arrives. So, all the manufacturing activities procurement cycle, replenishment cycle are performed in anticipation of demand and are thus push process. The goal of replenishment cycle is to ensure product availability when a customer order arrives. In fact, raw materials such as chemicals are often purchased six to nine months before customer demand is expected. CPL produces the medicine three to six months before the point of sale. And all processes that are part of the customer order cycle are pull process. The order fulfillment takes place from product in inventory that is built up in anticipation of customer orders. CPL is often constrained by inventory and capacity decisions that were made in the push phase.

The processes in the Central Pharma supply chain break up into pull and push processes, as shown in the figure below-





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6.3 Design option for a distribution network of Central Pharmaceutical Ltd.:

Distribution refers to the steps taken to move and store a product from the supplier stage to a customer stage in the supply chain. Distribution is a key driver of the overall profitability of a firm because it affects both the supply chain cost and the customer experience directly.

6.3.1 Manufacturer storage with carrier delivery:

Here, Central Pharmaceuticals Ltd follows “Manufacturer Storage with Carrier Delivery” design as distribution network system. Under this option, inventory is held by CPL in their depots and store house, and then distribute the medicine to many pharmacies all over the country by the delivery van of CPL. Then, the customers get the medicine through these pharmacies. Pharmacies as retailer carry no inventories. Information flows from the customer, via the retailers to CPL.

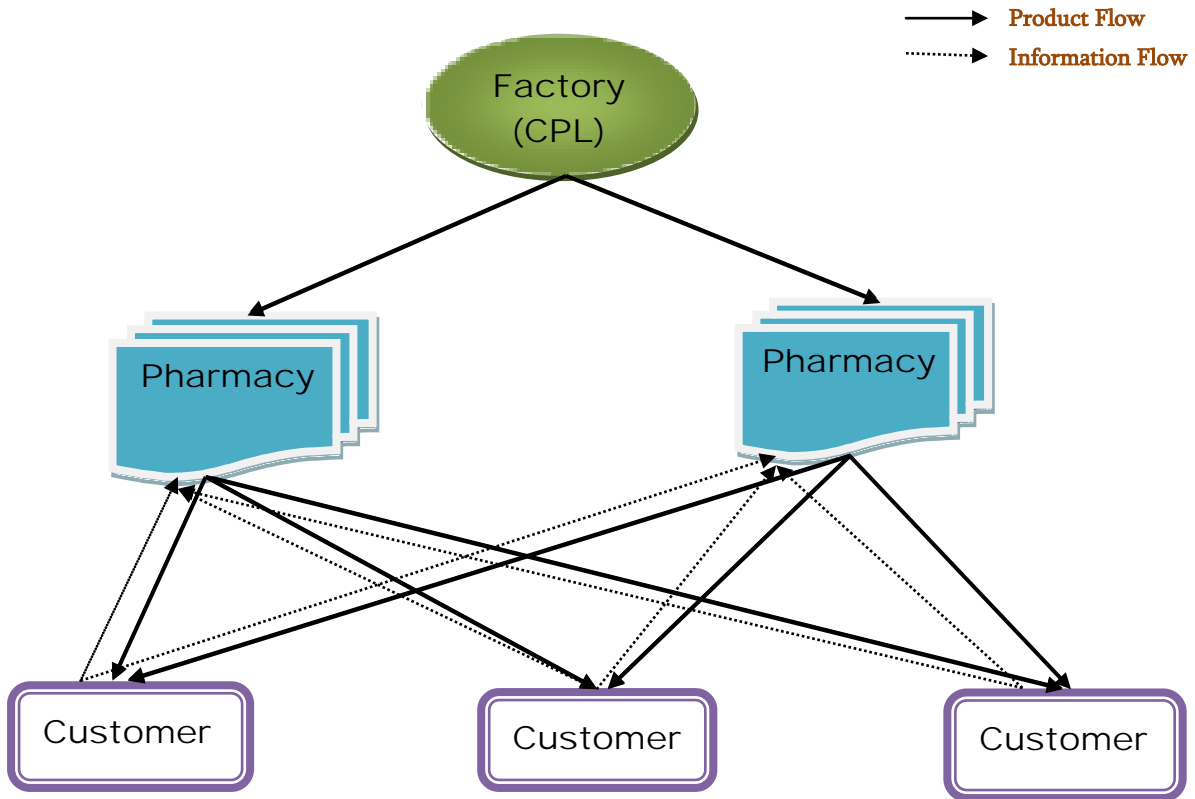


Figure: Manufacturers storage with carrier delivery



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6.3.2 Performance Characteristics of manufacturer storage with carrier delivery of CPL:

The supply chain strategy determines how the supply chain should perform with respect to efficiency and responsiveness. The supply chain of CPL must use three logistical and three cross-functional drivers to reach the performance level the supply chain strategy dictates and maximize the supply chain profits. The ideal supply chain will emphasize efficiency but also maintain an adequate level of responsiveness.

The biggest advantage of manufacturer storage with carrier delivery is the ability to centralize inventories at CPL. It can aggregate demand across all retailers that it supplies. The key issue with regard to manufacturer storage with carrier delivery is the ownership structure of the inventory at the CPL.

The benefits from centralization are highest for high value, low demand items with unpredictable demand.

Cost Factor	Performance
Facilities & handling	<ul style="list-style-type: none"> ➤ Lower facility costs because of aggregation. ➤ Some saving on handling costs as CPL can manage small shipments or ship from production line. ➤ Increase efficiency at each distribution channel.
Inventory	<ul style="list-style-type: none"> ➤ Lower costs because of aggregation. ➤ Benefits of aggregation are highest for low demand & high value medicines.
Transportation	<ul style="list-style-type: none"> ➤ Higher transportation cost because of increased distance & disaggregate shipping and to keep responsiveness.
Information	<ul style="list-style-type: none"> ➤ Significant investment in information infrastructure to integrate manufacturer and retailer.
Service Factor	Performance
Response time	<ul style="list-style-type: none"> ➤ Quick response time because of availability of Medical Promotion Officers. ➤ Response time may vary by complicating receiving.
Product variety	<ul style="list-style-type: none"> ➤ Allows a high level of product variety to be available to the customer.
Product availability	<ul style="list-style-type: none"> ➤ Easy to provide a high level of product availability because of aggregation at CPL.
Customer experience	<ul style="list-style-type: none"> ➤ Good in terms of delivery at pharmacies with drop shipping.
Time to market	<ul style="list-style-type: none"> ➤ Fast, with the product available as soon as the first unit is produced.



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Order visibility	➤ More easier for the availability of MPOs.
Return ability	➤ Expensive and easier to implement.



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Chapter 7

Negative Impacts of Marketing of Pharmaceutical Companies





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7.0 Negative Impacts of Marketing of Pharmaceutical Companies

Advertising Art isn't Art, It's Advertising. The "Pretty Poison" That's Sure to Kill Your Healthcare Marketing Message

Advertising art isn't art, it's advertising. Marketing and advertising materials that "look nice" could be killing the message and wasting money. Unfortunately, it's an easy mistake to make. And that's really the main idea: Graphics and design flaws, including "looking pretty" can defeat the purpose, which is to produce results.

7.1 Physician negative attitudes toward detailers

A series of studies document that physician attitudes toward detailing and pharmaceutical sales representatives are mostly negative. They found that only 24% of the physicians were satisfied with detailing and 48% were dissatisfied. Residents believed significantly more than faculty that sales representatives sometimes use unethical marketing practices and that the residents have too much contact with the detailers.

7.2 Physician Attitudes Toward Gifts

Another dimension on which physicians have very strong attitudes is the practice of gift-giving from pharmaceutical sales representatives to physicians. As part of the detailing process, sales representatives often not only give samples, but also give trinkets, books, or meals.

"sometimes cross ethical boundaries by giving gifts to physicians." Physicians disagreed that their prescribing was influenced by gifts such as lunches or dinners, but the physicians surveyed admitted that their prescribing might be affected by sample giving. One-fifth of the chief residents believed that accepting gifts could affect their own prescription habits.



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7.3 Antecedents of Physician Attitudes

They found that physicians' attitudes were influenced by the information and educational support they receive, selling techniques, and their volume of patients. The more informational and educational support from sales representatives and the higher the number of patients, the more favorable were physicians' attitudes toward sales representatives. In contrast, a manipulative and aggressive selling style was associated with an unfavorable attitude.

Attitudes toward gifting are mostly negative, though several studies note that gifts below a certain threshold are acceptable. A more disturbing finding is that these gifts induce reciprocal feelings among physicians.

7.4 Misleading advertisement

The advertisements may often be misleading and the profits worth millions, but the advertisements are there for all to see and criticize. Doctors may not be as uninfluenced by the advertisements as they would like to believe, but in every sphere, the public is used to discounting the claims of advertisers.

The much bigger problem lies with the original studies, particularly the clinical trials, published by journals. For a drug company, a favorable trial is worth thousands of pages of advertising, which is why a company will sometimes spend upwards of a million dollars on reprints of the trial for worldwide distribution. The doctors receiving the reprints may not read them, but they will be impressed by the name of the journal from which they come. The quality of the journal will bless the quality of the drug.

7.5 Corruption in the pharmaceutical industry

The relationship between drugs companies and physicians is also vulnerable to corruption. Doctors may be offered commissions for prescribing a particular drug or a drug from a particular company. Because this practice is illegal in most countries, companies may employ underhand methods to disguise such kickbacks. The



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aggressive promotion of medicines, the sheer volume of information that is received in its many forms by prescribers and the use of patient groups through which to generate demand for prescription drugs, all contribute to the inappropriate prescription of medicines.

7.6 Potential health risk caused by DTC marketing

If DTC advertising only motivated certain patients to see their doctors more often, its harmful effects would be debatable. The larger and more important problem of DTC advertising concerns potential health risks posed by new drugs. New drugs are not

time tested; their long-term effects are unknown; many patients who can be just as effectively treated with less expensive, older drugs are risking their health when using newer drugs. This side effect is an even greater danger to those who had previously suffered serious gastrointestinal conditions such as ulcers, because in these patients, life-threatening side effects can occur even if the drug is taken for only a short period of time.

7.7 Immature death caused by lower-quality medicine

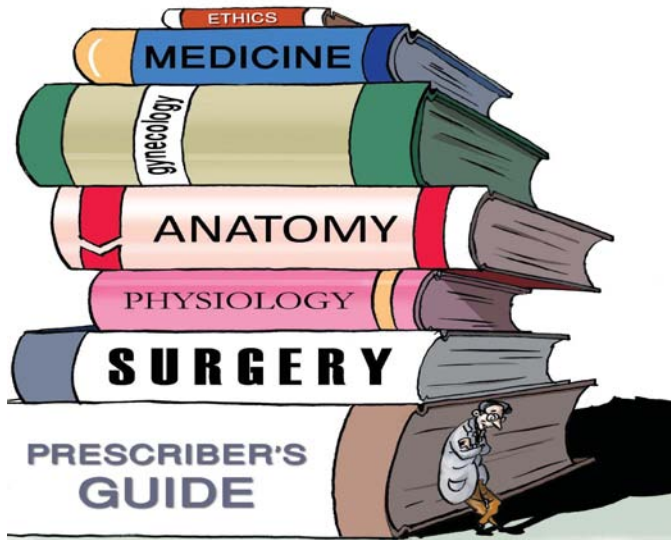
As doctors are captured by the pharmaceuticals company by giving gift, money etc, so those doctors prescribes their medicine without checking the quality of that medicine. Then, by taking those medicines, the patients are facing death. All these are happened for unethical practice of pharma marketing.



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Chapter 8

Marketing problems of Central Pharmaceuticals Ltd.





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8.0 Marketing problems of Cental Pharmaceuticals Ltd.

After analyzing its present market expansion strategies, the following problems have been found in it:

- It seems that CPL pursuing “prescription for profit” strategy for market penetration. It is partially good, but may not be perfect as the competition is very hard. There are some other parties who has the scope and ability to act as “opinion leader” and to motivate the buyer. These potential “opinion leaders” are remaining unexploited. CPL has enough resources to let them add value to the company.
- Still now, CPL isn’t adopting any strategy to create brand loyalty. But client is more profitable than customer in terms of both transaction as well as positive word-of-mouth communication. He himself can be an opinion leader.
- Holding the heaviest product portfolio should not be the ultimate goal at all. Emphasis must be given on how early a new product can be launched in the market place than the competitor.
- At present, CPL gets only 20% raw materials from its API plant and the rest are to be imported. It increases product cost.
- Market should not be segmented only on the therapeutic drug basis.
- Pharmaceutical value chain is a bit different from traditional value as it includes an additional step in the start “Discovery”. This step is a vital strength of any pharmaceutical company. CPL lacks this component in its value chain.



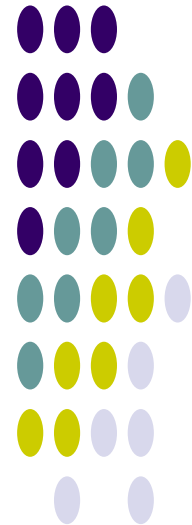
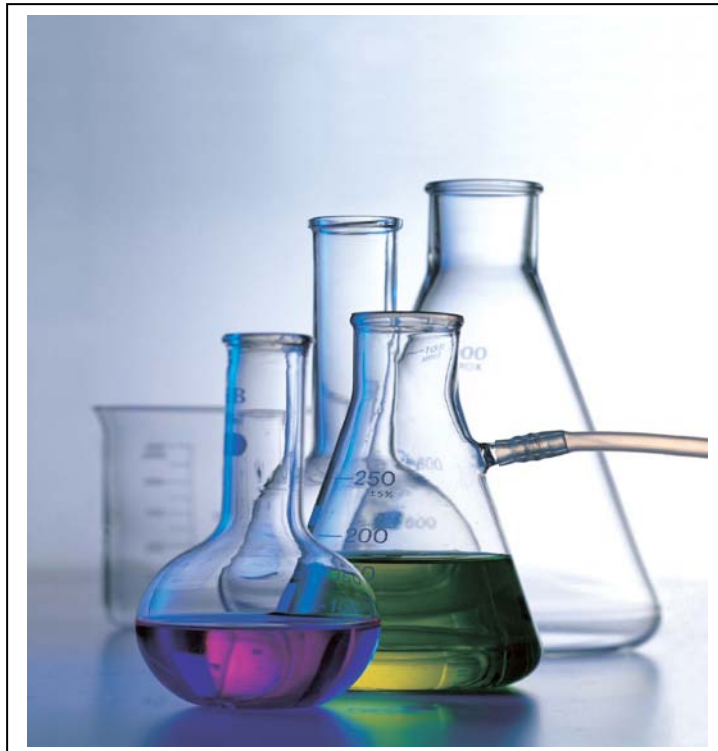
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Chapter 9

Recommendations





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9.0 Recommendations

9.1 Proper training and education to Medical Promotion Office

Training and educational standards should be maintained for MPO such that they can act more as collaborative problem-solvers rather than as sales professionals. It is therefore important that physicians, firms, and policymakers recognize this reality and take appropriate steps so as to make this relationship as efficient and effective as possible.

9.2 Bulk Drug Manufacturing

Central Pharma can expand their business in Bangladesh to increase its production. Increasing the scale of production will allow it to a lower cost per unit of output and yield economies of scale. By doing this CPL can increase its total market share in Bangladesh that is currently only 1.69% of total pharmaceutical market and top to local companies have 18% and 9%.

9.3 Research & Development Setup

Central can invest in R&D setup in Bangladesh for reverse engineering as well as bioequivalence study and clinical trials. Rivalry in pharmaceutical sector is very high as a good number of investments have taken place in this sector, but very few companies have invested on R&D. The research on developing drug for localized diseases like dengue fever, arsenic poisoning by using CPL's R&D skills and local scientist would be an excellent investment for Central. According to the UNESCO



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report there is a huge demand of drugs for these diseases not only in Bangladesh but also in other countries in South-East Asia.

9.4 Needed new category opinion leader

Doctors are the only opinion leader in CPL's present strategy. It may be partially good, but can not be perfect as the competition becomes more intense day by day. There are some other parties who has the scope and ability to act as "opinion leader" and to motivate the buyer. These potential "opinion leaders" are remaining unexploited. CPL has enough resources to let them add value to the company. Hereby, a hypothetical model should be introduced to correct this strategy-In this model, Retailers have been selected as new opinion leader, besides the doctors & physicians. In return, they will enjoy above average profit margin by selling Central Pharma's medicine.

9.5 Customer once, client forever

Client is more profitable than customer in terms of both transaction as well as positive word-of-mouth communication. He himself can be an opinion leader. So, I am suggesting to adopt some programs that will let its customers be transformed into clients. The following model would better describe this concept:

- a. Mobile Hospital service with free treatment and medicine.
- b. Health awareness program in rural area.
- c. Modernization of educational institute or public hospital etc.

9.6 Today's plant, tomorrow's tree

Those who are student of MBBS today, tomorrow they will become doctor. Therefore, CPL may approach them to establish and maintain a long-term rapport.



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9.7 What I have today, other will have tomorrow

CPL is always striving to maintain the highest product portfolio among the competitors for its product development strategy. Holding the heaviest product folio should not be the ultimate goal at all. Emphasis must be given on how early a new product can be launched in the market place than the competitor.

9.8 Keep pace with the race

Today's world is changing very rapidly, in every sphere. Therefore, updating production plant alone is not enough to cope with the new environment. CPL has to have a keen eye if there is any change in HR development, transport, information technology, consumer relation management, medical science and so on.

9.9 Integrate Greatly

CPL imports 80% raw materials of its total requirements. This is a weakness if it wants to consistently expand its market. So it requires either more API plants or increase in present production capacity.

9.10 Discover the undiscovered

Pharmaceutical value chain is a bit different from traditional value as it includes an additional step "Discovery". In the start, this step is a vital strength of any pharmaceutical company. CPL lacks this component in its value chain.

9.11 Act locally, think globally

As the Company has secured license under UK MHRA, it has created a tremendous opportunity for CPL to expand globally. Not only that, in nation after nation, regulations prohibiting foreign companies from entering domestic markets and establishing production facilities, or acquiring domestic companies, have been removed. As a result of these two developments, there has been a surge in both the volume of international trade and the value of foreign direct investment. Between



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1950 and 2000, the volume of world trade increased more than twenty-fold. So, CPL must grab this opportunity.

9.12 Innovation is the destination

Pharmaceuticals is on the brink of a scientific and technological revolution that will ultimately transform both the nature of the medicines it makes and how it makes them. In future, then, Pharmaceuticals will not only make the white powders, creams and

tablets it has traditionally produced, it will manufacture a complete mix of biopharmaceuticals, parenterals and diagnostics. Making targeted treatment solutions will generate greater revenues than conventional drugs and offset the increasing competition from generic producers. But it will also require the restructuring of the entire pharmaceutical value chain, including the fixed asset base and downstream distribution.

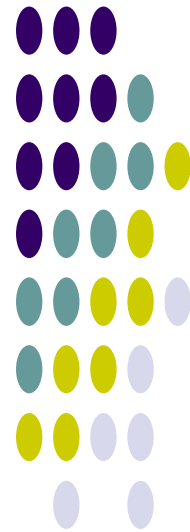
9.13 Segment the current market segment

CPL is in need of more segmentation tools in an ongoing effort to establish close and sustainable relationships with customers.



Chapter 10

CONCLUSION





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Conclusion

Central Pharmaceuticals Ltd. are committed to be a participant in health care and to help change millions of lives for the better health through providing access of safe, Effective and affordable medicines and related health care services to the people who need them. The core business of the company is manufacturing, marketing and distribution of generic human pharmaceuticals products (Biological & Non-biological). It's endeavor is to ensure the availability of world class, quality medicines at affordable price. CPL is dedicated to supplying products of the highest quality and maintaining Reasonable price for nationwide customer satisfaction. They believe in scientific excellence and invest in research and development to provide innovative, high quality medicines that address the unmet medical needs. They are committed to economic, social and environmental sustainability and extend the expectation to their suppliers. They embrace a diverse workforce in a unique corporate culture. The health, safety, professional development and respectful treatment to their employees along with business excellence are among their highest priorities. It quickly developed a very competent sales team, which promotes the specialties throughout the country. The company has a clear vision to become a leading research based dosage form manufacturing company with global presence within a short period of time.



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