

PRECIA PHARMA: PROMOTING ETHICAL SALES PRACTICES

Sandeep Puri and Ajay Kohli wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Marketing executive Munish Laddha's email (see Exhibit 1), which arrived one evening in March 2017, was an eye-opener for Sanjay Pawar, the managing director of pharmaceutical company Precia Pharma Private Limited (Precia). The email highlighted sales pressures and unethical practices in the pharmaceutical industry. Pawar remembered that these same issues had driven a medical representative to suicide in another pharmaceutical company, Abbott India Limited,¹ a reality he could not ignore. In his suicide note, the Abbott representative had blamed unreasonable sales expectations. Pawar realized that Laddha, Precia's star performer, was speaking on behalf of all sales representatives. When his wife Manjusha, the director of Precia, entered the office as he was thinking of possible ways to address the issues in the email, he shared his concerns with her.

Pawar knew the hypercompetitive business environment of the Indian pharmaceutical industry had led many companies to indulge in unethical practices to achieve ambitious targets and grab their piece of market share. He wondered how this situation would affect his own company's ethical business conduct. He was anxious about how to sustain the company culture yet maintain a healthy balance between steep targets and good selling practices in an environment where there was tremendous pressure on sales personnel to "make the numbers."

As Manjusha listened, she reminded Pawar about one of their marketing executives, David Katoley, who was caught submitting a false daily report of customer calls. In light of the ills plaguing the pharmaceutical industry, she wondered what to do with someone like Katoley, who was also a top performer for three consecutive years. Katoley was one of many executives who were instrumental in helping Precia end 2016 with sales revenues of ₹2,212 million,² a 24 per cent growth over the previous year. It was clear that Pawar and Manjusha had to ensure that their company continued with the organizational culture and sales processes they were so proud of, yet meet the net revenue of ₹2,700 million they were aiming for in 2017 (see Exhibit 2).

¹ Jyothi Datta, "Medical Rep's Suicide Raises Concern over Sales Pressure," *Hindu Business Line*, July 24, 2016, accessed March 11, 2017, www.thehindubusinessline.com/companies/medical-reps-suicide-raises-concern-over-sales-pressure/article8894115.ece.

² ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; ₹1 = US\$0.02 March 31, 2017.

COMPANY BACKGROUND

Precia, a generic pharmaceutical company, had found it easier than many competitors to rise up the Indian pharmaceutical industry ladder because of its innovative health care solutions. Precia's focus was the management of lifestyle diseases such as diabetes. Pawar and his partners started the company in May 2010 with an initial investment of ₹20 million, 30 employees, and a range of diabetic, gastropathy, neuropathy, and cardiac products. Precia had quality-driven products sourced from different plants—approved by the World Health Organization—on a customized basis. Its core strength was its understanding of product differentiation and marketing as well as product sales and distribution.

Precia's main asset—product and brand development—was driven by seasoned professionals. The company aimed for a pan-Indian reach and wanted to grow from a field force of 180 in 2016 to 700 by 2020. By March 2017, Precia boasted a line of 22 brands, including diabetic, gastropathy, neuropathy, obesity, and cardiac products (see Exhibit 3). The fast-growing branded pharmaceutical company had captured significant traction in its chosen segments within four years.

HUMAN RESOURCES

Pawar and his human resources (HR) team stressed the importance of hiring the right people. Precia recruited young, energetic, ambitious, and multi-faceted marketing executives with good communication skills. Pawar emphasized fluidity and passion as important competencies in marketing executives. Fluidity helped these executives to “go with the flow” and use adaptive selling skills. He sought passionate marketing executives who sold their product through science, built good customer relationships, and maintained a positive attitude during different selling outcomes. His logic was that a pharmaceutical sales representative's only job was to sell a generic medicine, but physicians prescribed the products of only those representatives they trusted and those who could show how useful these products were for patients.

Most companies did not invest enough in sales training, which meant the field was crowded with representatives with little knowledge. Not only did these representatives not dress appropriately, but they also failed to provide satisfactory answers to physicians, which led to a poor impression about medical representatives in general. Many of these representatives were also paid poorly, as Pawar and his HR team knew. Pawar emphasized good corporate culture and employee growth with a good work–life balance. Employees were offered a competitive compensation with a commitment to internal promotions. Precia organized regular training programs to empower representatives with excellent product knowledge and selling skills. It also organized workshops on work–life balance and stress management.

LOGISTICS

Precia's product movement chain was like that of any other pharmaceutical company: the manufactured medicinal products went to the central warehouses of the company from the production department. From these warehouses, the goods moved to the carrying and forwarding (C&F) agents in the different states, who in turn supplied them to 300 distributors³ in the different areas. These distributors then supplied the products to millions of retail pharmacies all across the country. The products moved to the final customers through these pharmacies (see Exhibit 4). Precia's focused product portfolio and good distribution network allowed it to perform well in an increasingly competitive market.

³ Distributors were also known as wholesalers/stockists.

SALES MANAGEMENT

With more than 23 years of experience working with companies like Burroughs Wellcome India Limited, GlaxoSmithKline Pharmaceuticals Limited, Torrent Pharmaceuticals Limited, Cipla Limited, and Lupin Limited, Pawar was well known in the pharmaceutical sector. To his credit, he was referred to as the person who had strategized and turned around the loss-making Maxter division of Lupin Limited into a profitable division based on ethical sales practices by implementing a sales hygiene. Pawar strongly believed the key driver to maximize sales, improve customer coverage, and optimize costs was an effective sales-force strategy. He was sure that increasing the efficiency and effectiveness of the sales force on a regular basis was crucial to the growth of Precia in the highly competitive market environment.

Pawar knew that an increasing return on investment from the sales force was critical to success in an environment where dynamic forces of the Indian pharmaceutical industry and the needs of physicians were ever changing. He was convinced that his sales team had to be leaner, meaner, and strong in the one-on-one physician–representative relationships. Pawar thought that a well-organized sales force meant efficient time management and better productivity. His advice to his top management was to be thoughtful while designing marketing and sales strategies. He asserted that a strong product line and commitment to the progress and development of employees would guarantee consistent sales growth and better customer satisfaction.

SALES ORGANIZATION

Precia’s sales team, its biggest promotional investment, evolved over time through the adoption of innovative customer-centric practices. In March 2017, the team comprised 140 marketing executives⁴ (MEs) and was seen as the pharmaceutical industry’s best. Its legendary sales and product training involved an intensive four-week training at the company’s facility in Thane, Maharashtra, for every new ME and an annual week-long refresher course in the same facility. The MEs also had to spend four days every month, in groups of five, with an assigned area business leader (ABL) for field training and performance reviews. The ABLs reported to a regional business leader (RBL). Precia had 28 ABLs reporting to eight RBLs, who in turn reported to the sales manager (see Exhibit 5). The sales team was trained to provide better customer focus, increase call efficiencies, improve accountability of resources, and develop new accounts.

ROLE OF MARKETING EXECUTIVES

Pharmaceutical selling, unlike regular selling, required marketing executives to have sound product knowledge and good selling skills because the physicians were their first customers. Physicians were surrogate buyers who prescribed products for their patients to buy from a pharmacy. The ME’s job was to deliver the company’s marketing message to its customers (in this case, physicians, distributors, and retail pharmacies) in its territories. MEs played a crucial role as the company’s brand ambassadors in the field.

Because sales representatives from different companies tried to convince physicians to prescribe their products, most representatives of leading pharmaceutical companies played the dual role of agent and advisor. These representatives, who were responsible for both demand creation and fulfillment, visited pharmaceutical distributors and retail pharmacies in their territories to check on the current product supply and to monitor inventory. Precia’s MEs not only sold pharmaceutical products but also analyzed sales statistics. They also prepared travel plans and presented reports on daily calls, stock and sales, expenses,

⁴ Different companies used different names for their frontline salespeople. Many pharmaceutical companies used the term “medical representative” to describe their salespeople.