Section IV:

Place Mix

Chapter 17
Pharmaceutical Marketing Channels

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INTRODUCTION

A marketing channel is a group of interconnected businesses that participate in the distribution of goods and services. A distribution channel, route to market, go to market, or simply channels are some of the other names for a marketing channel that are used in the 4P framework. Manufacturers, intermediaries (wholesale, retail, and specialised), and end-users (business customers or consumers) are the three main entities involved in every marketing channel **(Figure 17.1)**.

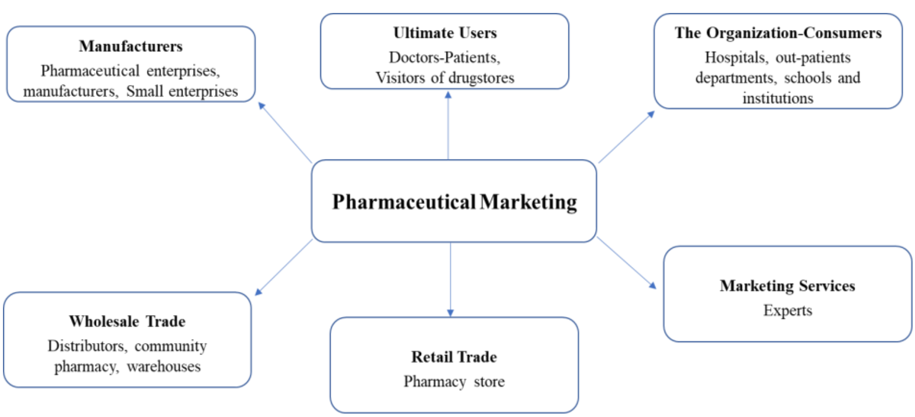

Figure 17.1: Pharmaceutical marketing

SELECTING THE APPROPRIATE CHANNEL

The majority of channel remuneration plans mention margin of margin or discount structures. From the perspective of the supplier, the following variables are taken into account while choosing channel members: channel partner's financial standpoint

- Sales volume
- Product categories
- Reputation,
- Market coverage,
- Sales effectiveness, and
- Management Strength
- Sales promotion and
- advertising campaigns
- Sales compensation and
- Training initiatives
- Plant facilities and equipment
- The ordering and payment processes
- The post-purchase services

DISTRIBUTION CHANNEL SELECTION FACTORS

a) Organizational

- Delivery speed
- Delivery frequency
- Customer satisfaction
- Resources Capabilities

b) Market

- Product
- Environment

- Density
- Geography
- Clustering
- Size

c) Lifesaving

- Shelf life
- Storage
- Packaging
- Complexity

d) Environment

- Competition
- Technology

The ethical pharmaceutical distribution channel intermediaries are broker, carrier, contract distributor, depositary, distribution agent, mail distributor, parallel importer, self-distributor, Web distributor, and wholesaler.

Furthermore, the ethical pharmaceutical distribution customer types are cooperatives, hospital pharmacies, pharmacy chains, retail pharmacies, supermarket pharmacies and voluntary trading groups.

DISTRIBUTION CHANNELS

Five different marketing flows or viewpoints can be used to analyse the role and responsibilities of any given marketing channel (**Figure 17.2**).

Pharmaceutical Distribution Channel

The pharmaceutical distribution channel may be of different levels as follows:

- Manufacturer-stockist-wholesaler-retailer-consumer.
- Manufacturer-wholesaler-retailer-consumer.
- Manufacturer-retailer-consumer
- Manufacturer-consumer.
- Manufacturer-C&F agent.

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The pharmaceutical distribution channels utilised by various organisations vary according to their respective needs. Some organisations use a mix of levels of channels in different places. Few companies really sell their products to C&F agents, whose only job is to market the product for the company.

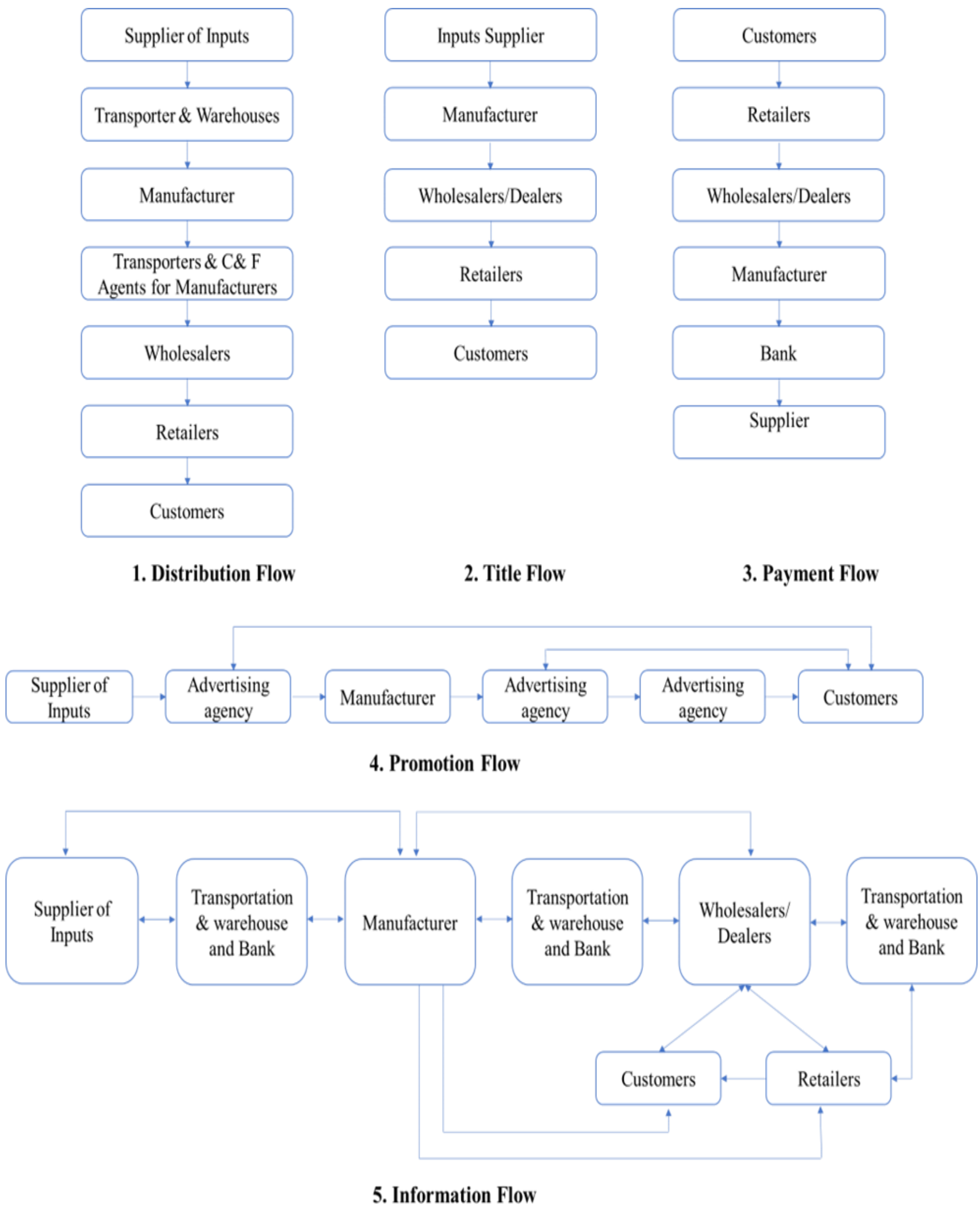

Figure 17.2: Market flow in various distribution systems

CHANNEL LENGTH DETERMINANTS

From what has been said so far, it seems likely that the length of the channel of distribution will depend on the following factors.

- **How Big the Market Is:** The bigger the market, the cheaper it is to serve it indirectly, so the channel will be longer. On the other hand, the channel is smaller when the market is smaller.
- **Order Lot Size:** If the average order is for a small amount, it is better to have a longer channel than if the average order is for a large amount or a container load.
- **Service Requirements:** If the product and market need a high level of service and it's a big part of the decision to buy, the company should keep a shorter channel with only zero or one level.
- **Product Selection:** If customers are looking for a variety of products, the company should make sure that its range of products is available at all stores that sell complementary and substitute products. So, this makes the need for a wider distribution channel stronger. For example, a person who wants to buy a car would rather buy from a dealer who has a wide range of brands and all kinds of car parts. So, it's important for both the company that makes the car and the company that makes the accessories that their brands are sold at all dealerships.

CONFLICT IN CHANNELS

Channel conflict occurs when one channel member behaves in a way that is inconsistent with the preferences or actions of its fellow channel members. The channel actor attempts to get ownership of a goal or object that its counterpart already has. As a result, channel conflict denotes when one channel member sees the upstream or downstream partner as an enemy or rival. These interdependent parties compete with one another for control at various points (upstream and downstream) of the same canal. Retailers and manufacturers both have the option of deciding not to carry each other's items in their stores. Manufacturers may decide to withdraw their goods from certain retail locations.

Step 1: Count the problems.

Step 2: Determine significance

Step 3: Calculate the likelihood of disagreements

Step 4: Measure dispute intensity

Categories of conflict

1. Conflict in a channel that occurs at different levels is referred to as vertical channel conflict.
2. Conflict between channel members who are on the same level is referred to as horizontal channel conflict.
3. When a manufacturer creates two or more channels that cater to the same market, multichannel conflict arises.

PHYSICAL DISTRIBUTION MANAGEMENT

Delivery of tangible goods physically from the point of manufacture (a manufacturer or store) to the point of usage (a buyer or customer). It is recognised as a sub-supply function in charge of handling and processing goods from delivery through end-user delivery or system removal. One of the most crucial components of marketing integration is distribution. Therefore, distribution channel management entails ensuring that the distribution system supports some of the marketing mix's components.

Distributers

Distributors transport the manufacturers' goods to a wide number of clients (wholesalers and pharmacies). Distributors undertake their duties during this phase on the basis of a distribution charge, which can either take the form of a distributed unit-related fee or a percentage of the manufacturer's value sales to wholesalers and pharmacies. Low-cost logistics subcontractors and high-end, integrated distributors that add value are distinguished by the vast range of services that distributors provide to manufacturers. These services can generally be divided into three major categories: logistical, transactional, and facilitating.

Wholesalers

In order to sell pharmaceuticals to hospitals and retail pharmacies, a wholesaler purchases the goods from the producer. As opposed to distributors, wholesalers retain product ownership and resale goods to pharmacies while adding a wholesale markup. If a wholesaler sells all of a pharmaceutical manufacturer's product lines, they are considered full line wholesalers (often engaging in the sale of selected product-lines, such as hospital products, ophthalmologists, and so on). In addition, they could be short-line or multi-channel wholesalers (selling to mail-order pharmacies, hospitals, retail chains, and independent retailers) (covering select retail channels only).

Retail Pharmacies

Small-scale individual retail pharmacies or international multinational drugstore chains are examples of retail pharmacies. Large chain pharmacies are distinguished by the legal requirement that they employ at least one board-certified professional pharmacist, while they also frequently employ many pharmacy assistants or technicians. Pharmacy practitioners need sophisticated professional education and ongoing training since they interact directly with consumers, unlike distributors or wholesalers. The design and infrastructure needed for a retail pharmacy are subject to stringent regulatory regulations.

MARKETING DISTRIBUTION STRATEGY

The most significant aspects of the total marketing strategy are the planning, execution, and management of the distribution strategy (**Figure 17.3**).

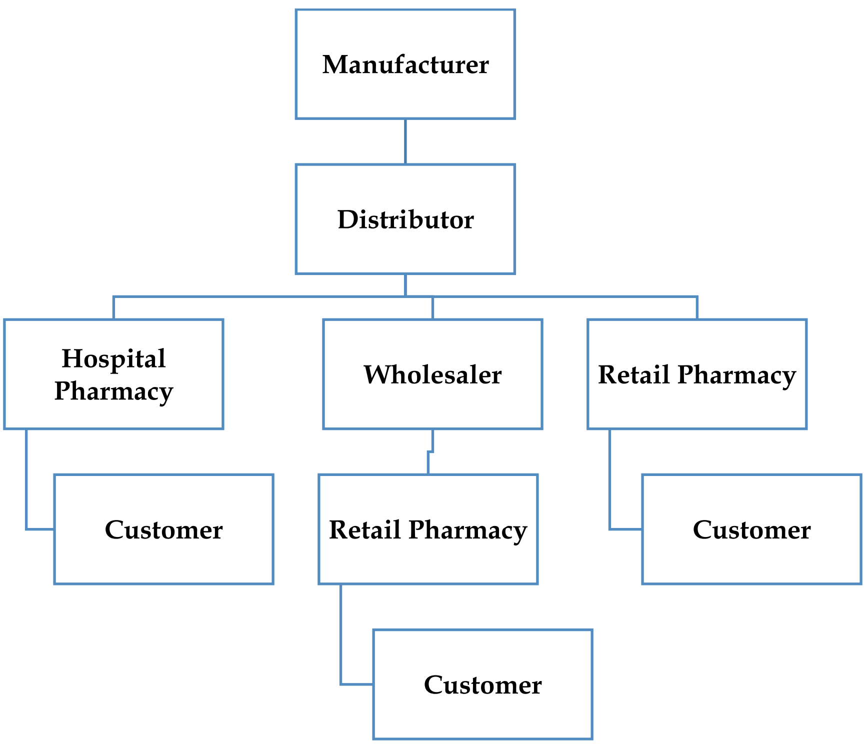

Figure 17.3: Marketing distribution strategy