

Distribution Structure in Indian Pharmaceutical Industry: Significance of Customer Relationship Management (CRM) and Distributor Relationships

Waseem John

Senior Research Fellow,
Department of Business Administration,
Aligarh Muslim University,
Aligarh (India).

Dr. M. Khalid Azam

Professor,
Department of Business Administration,
Aligarh Muslim University,
Aligarh (India).

Abstract

The days of mass marketing have given way to a trend towards micro marketing, and the role of the sales representative is slightly shaping into that of an information provider rather than a persuader. In this paper we discuss that how Customer Relationship Management (CRM) as a strategic tool has the capability to strengthen the relationship of companies with their distributors and other members of supply chain through effective communication. The first part of the paper throws a light on the general structure of the pharmaceutical distribution network. It is based on previous academic literature, practitioner literature, discussions on web forums and some unstructured discussions with the pharmacists and medical representatives. Whereas, the second part of the paper discusses the significance of business-to-business relationships in the pharmaceutical industry and provides a brief view of some CRM tools used in general with their relevant functionalities and advantages. This study concludes that distribution structure of Indian pharmaceutical industry is very complex and dynamic in nature and the relationships with the supply chain partners are critical in pharmaceutical industry and such relationships need to be managed very carefully for competitive advantage. The use of CRM systems is very much significant in such business environments and investments into sophisticated CRM technologies should be taken into consideration by organizations for better management of the business-to-business customer information and customer relationships in order to enhance the profitability through increased customer retention and loyalty.

Keywords: Pharmaceutical industry, Distribution structure, Customer Relationship Management, supply chain conflicts, distributor relations.

Introduction

The Indian pharmaceutical industry is one of the leading manufacturing sectors of world and also the third-largest by volume and ranks 14th in terms of value across the globe (businessstandard.com, 2014). Besides research and development, India has a reputation in the global market as producer of the drugs at relatively lower costs. India has established itself in global pharmaceutical market with its skilled workforce. Some of the reputed pharmaceutical companies in India include Ranbaxy, Dr Reddy's Laboratories, Cipla and Sun Pharma. The sector is estimated to value about \$3.1 billion (USD). Even though the future potential of pharmaceutical industry is very promising, pharmaceutical industry

continues to evolve due to a number of factors such as rising healthcare costs and government regulations. As a result, pharmaceutical companies and other health care related organizations have sought some significant transformations in their business models to better serve their customers. At the core of such paradigm shift the role of technology is very vital (Alt & Pushmann, 2005).

With the turbulent business environment, rising manufacturing and manpower costs of pharmaceutical industry, optimization of the existing assets and infrastructure is inevitable. Previously the pharmaceutical companies mostly relied on the development, sale and marketing of high-volume products i.e. blockbuster drugs to hospitals, wholesalers and pharmacies. Now this strategy may no longer be sufficiently adequate owing to the expiry of patents and the dearth of new blockbuster molecules coming to market. With the increasing number of well-informed patients and internet based initiatives of 'e-healthcare', pharmaceutical companies can no longer afford to be product specific and have realized the importance of effectiveness in selling drugs (Sinha, Kaushik & Padhy, 2010; Patnaik, 2008) and building long term relationships with the supply chain partners. In the context of the above discussed factors the relationships with distributors can't be ignored as they are the first line business-to-business customers of the company apart from physicians, hospitals and other stakeholders.

Customer relationship management (CRM) has emerged as a concept for managing a company's interactions with customers, clients, and sales prospects and is being brought into action by various industries including the pharmaceutical industry. It involves using technology to organize, automate, and synchronize business processes. The objectives of CRM are to enhance profitability, income, and customer satisfaction. To execute CRM, many organizations use set of tools, technologies, and procedures to facilitate the interactions with the customers for managing relationships and profitability. But at the same time it is important to know that, CRM is an issue of strategic importance rather than a technical one (Dowling, 2002) and must be dealt in a holistic way. CRM as a business strategy increases the relationship value by understanding, anticipating and responding to the needs of current and potential customers of an organization (Krishnan, 2013).

With the development of the internet, e-commerce and self-service customer support, customer expectations have increased for improved, personalized service (Beckett, Hewer, & Howcroft, 2000; Roberts, 2003). Therefore the marketing practitioners have been convinced to use technology to capture and use customer information so that the customer needs can be catered in a better way (Alvarez, Martin & Casielles, 2007; Peters & Fletcher, 2004; Rust & Chung, 2006). The reason behind this is that conventional information systems may not be adequate to create lasting

customer relationships and a diverse set of alliances cannot be managed without appropriate and flexible e-commerce systems. The effective management of e-commerce systems is enabling companies to translate inter-firm research collaboration into productive knowledge. This has the potential to become the essential source of competitive advantage for pharmaceutical companies in today's marketplace (Salazar, Hackney & Howells, 2003).

Research Objectives:

This paper discusses the existing academic and practitioner literature and the objectives of this study are:

1. To discuss the distribution network of pharmaceutical industry.
2. To highlight the importance of the manufacturer and distributors relationships in the pharmaceutical industry.
3. To discuss some current CRM tools in Indian pharmaceutical industry.

Methodology

This study is based on the literature review done through a study of the relevant published articles and the papers were found with help of cross referencing. The articles consulted for this review include both academic and industrial publications. In addition to this unstructured discussions were held with some marketing executives and distributors of pharmaceutical companies.

The reason for selecting both academic and practitioner articles was that there is a lack of studies in the Indian context with respect to the current research problem specifically in pharmaceutical industry. Another reason for such research approach is this paper discusses the different elements of supply chain in context of pharmaceutical industry and the significance of relationships discussed in this paper had a lot to do with the context of pharmaceutical industry.

Multi-Faceted Pharmaceutical Distribution Networks in India:

In this section of the paper we discuss some of the existing distribution structures in Indian pharmaceutical industry and their relevant functional patterns.

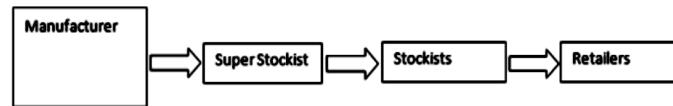
Type-1:

One of the primary types of distribution patterns practised in pharmaceutical companies is the where the pharmaceutical company manufactures as well markets its products on its own. However, this type of distribution structure is very uncommon in current times. It is not preferred by most of the companies which are trying to get a foothold in the existing competitive market. The obvious reason may be that it involves very high amount of marketing cost and a lot of pertinent risk. But the companies who have established

themselves in the market and have a huge capital base are still following this distribution structure. Moreover in this type of channel structure the company appoints one major

distributor of drugs usually called as super stockist for a particular area.

Figure 1

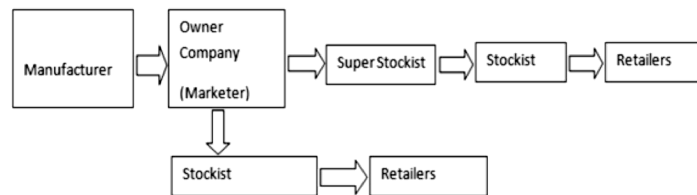


Type-2:

The second and the most prevalent type of structure that pharmaceutical companies follow these days is where manufacturer of the drugs only performs the manufacturing function. In this type of structure the drugs are sold and marketed through an intermediate agent known as the marketing company. The drugs manufactured are not sold by the name of their manufacturing company; rather they are

distributed and sold by the name of the marketing company. In other words the marketing company becomes the main and only identity of the drug in the pharmaceutical industry. In this type of distribution structure it is the marketing company which creates its further distribution intermediaries. The distribution intermediaries that are usually appointed in this network are Super stockist, Stockist, Retailer and so on.

Figure 2

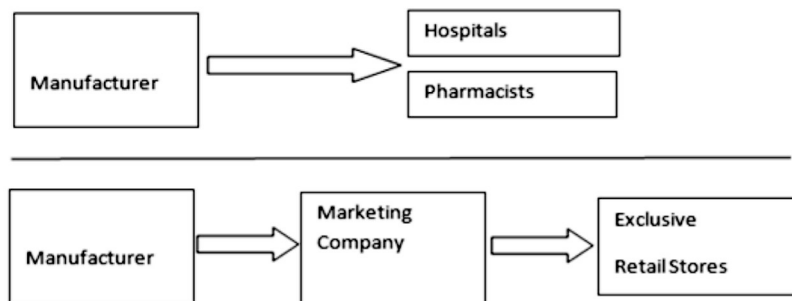


Type-3:

Another type of distribution structure followed by some pharmaceutical companies is known as Direct to Pharmacy (DTP). In DTP approach the pharmaceutical company distributes its drugs directly to Hospitals and also sells through exclusive retail stores. Here, the pharmaceutical companies bypass the wholesalers and build direct

relationships with pharmacists and hospitals. This can be related to the fact pharmaceutical companies are trying to differentiate their service model with a new approach to distribution and it's a strategic shift aimed at gaining greater control and visibility of supply and enabling them to promote

Figure 3



their products in a compelling way directly to pharmacists (DHL.com, 2013). For example as per Mike Bebbington, Vice President, Global Product Development for Life Sciences and Healthcare “By going DTP Pfizer was able to incentivize pharmacists to move on from the branded product to the Pfizer generic version, managing that change and being first to market, which helped in establishing the market share,” (DHL.com, 2013). But this type of structure

is also very uncommon in India and is more prevalent in Australia and some European countries.

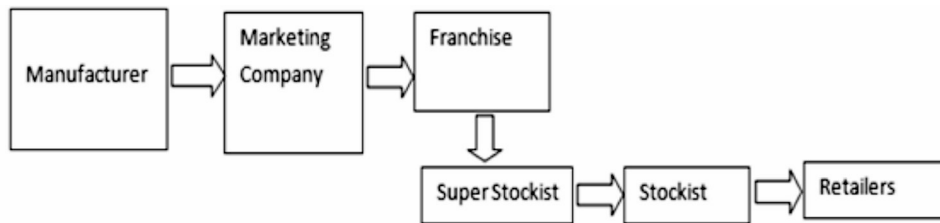
Type-4:

Recently some pharmaceutical companies in India have used the franchisee system as a system for sale, marketing and distribution of drugs. The companies appoint franchises on first hand and those franchises in turn appoint the super

stockists and retailers. One of the key drivers for opting or buying a franchisee is that it is believed to offer lucrative margin of profit in form of Net Rates and hence the distribution network is expected to grow at a faster rate as more people are motivated to buy franchises. Many pharmaceutical companies of India have found franchisee system as a desirable system of distribution. The major examples of such companies are Ranbaxy Laboratories Limited, Parkinson Pharmaceuticals Pvt. Ltd. etc. Both of these companies are headquartered in Northern India. For

example Parkinson Pharmaceuticals Pvt. Ltd. has started the latest business trend in the market i.e. Franchisee / PCD (Propaganda cum distribution ship). By doing this they intend to provide monopoly rights to their clients, distributors, and stockists for their particular areas. Some of the other benefits which are related to the franchisee system of distribution include quick start, cost effective operations, extensive product portfolio, effective and efficient training etc (Parkinson.com, 2014).

Figure 4

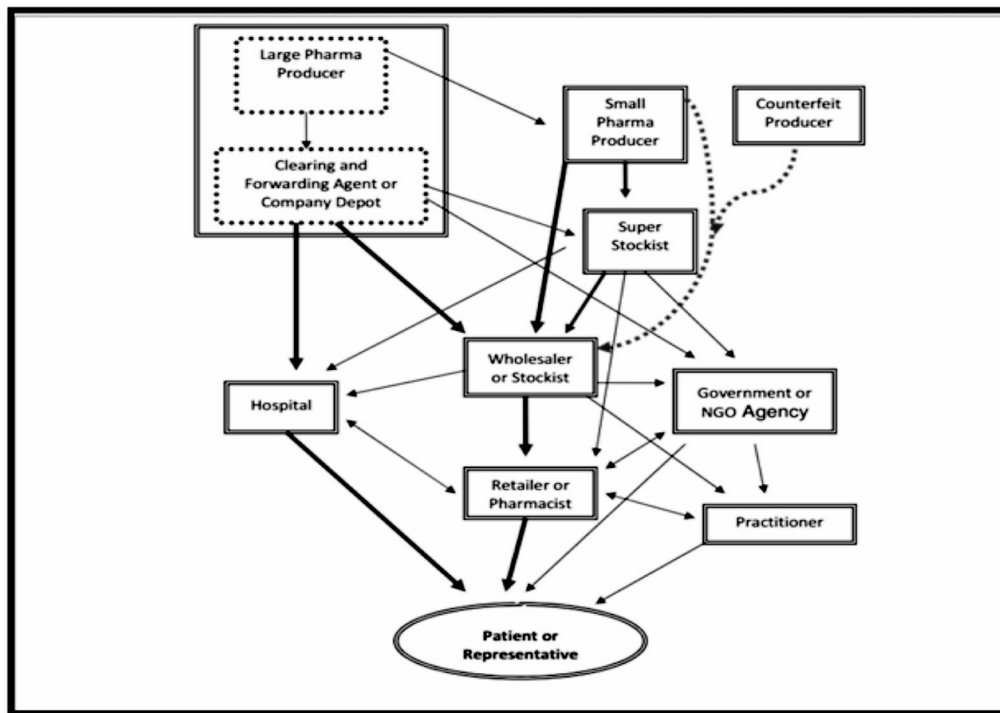


Summary of the distribution structure and more complex relations of the distribution system:

The distribution system of pharmaceutical industry in India is very dynamic and challenging. Even though we discussed the various types of distribution patterns above, some studies have revealed that more complex relations exist when we look at the ground level (Jeffery, et al., 2007). So in such complex environment managing relationships with the stakeholders particularly distributors might be even more

difficult due to lack of coordination. And in such complex systems the use of sophisticated communication and information tools is more inevitable. The following figure provides a one of the comprehensive and complete picture of the supply chain of the Indian pharmaceutical distribution network depicting some more latent relationships and summarizes the overall relationships or channels of drug distribution up to the final consumer.

Figure 5



Source: (Roger Jeffery, et al., 2007)

- Main Channels
- Other Channels
- Channels for counterfeit drugs.

As depicted in the figure no. (5), on the ground level lot of complex channels of drug distribution arise beyond the formal structure of the industry like the channels for counterfeit drugs. Therefore to gain the competitive advantage in such a turbulent environment companies need to strengthen the relationships with their distributors and other business-to-business customers by ensuring smooth and timely communication. The most important reason for this is that such complex structure is prone to conflicts and calls for careful management in order to realize long term financial and non-financial benefits.

Why Customer Relationship Management?

The pharmaceutical sector is one of the most complex sectors in terms of customers and the buying behaviour process. Here the end user (i.e., the patient) who pays for the product has no significant role to play in the buying process whereas the B2B customers (i.e. the medical practitioners/physicians and the distributors) play the major role in sale of drugs up to the final consumer. With the implementation of WTO guidelines in India and the introduction of product patent, it has become sequentially very difficult for the Indian pharmaceutical sector to maintain its low cost sustained growth. Meanwhile, Brazil and China are posing the biggest threat to the Indian pharmaceutical sector in low cost manufacturing and the generic segments. But with the large scale progress in IT Sector and the abundant availability of skilled and knowledgeable worker force in India, pharmaceutical sector is better equipped to implement CRM to leverage itself and sustain the competition to ensure successful survival (Kumar, 2005). The first and foremost reason that why companies would implement CRM practices is that relationship between the company and the distributor is very crucial for both the partners which can be ascertained from the market orientation of the industry.

Market Orientation of the Pharmaceutical Industry:

Market orientation in general is defined as,

“The generation of appropriate market intelligence pertaining to current and future customer needs, and the relative abilities of competitive entities to satisfy these needs; the integration and dissemination of such intelligence across departments; and the coordinated design and execution of the organization's strategic response to market opportunities” (Deng & Dart, 1994, p. 726).

The customer market orientation has been studied as a key element of the overall market orientation by various authors

(e.g Narver & Slater, 1990; Kohli, Jaworski & Kumar, 1993; Deng and Dart, 1994) and refers to as customer centric focus and is “..directed towards providing customer satisfaction and establishing mutually beneficial, long-term relationships” (Saxe and Weitz, 1982, p. 343). As mentioned in the earlier section, the type of sales operations pharmaceutical industry are quite contrasting than other industries because here the end consumer is not the target customer of the company. Due to regulatory control the end consumer can't be reached directly by the pharmaceutical companies. Instead a channel is used whereby the doctors and distributors play a key role in sale of drugs. In this regard the relationship with these business-to-business customers is a key source of competitive advantage for the pharmaceutical companies. More importantly the dimension of service quality is being replaced by the relationship quality in modern business-to-business contexts and the business performance of pharmaceutical companies mainly revolves round its business-to-business customers in particular. The next section presents a brief account of the key factors that indicate why channel relationships are more vital in pharmaceutical industry.

Significance of Relationships in supply chain network in general:

The nature of buyer-seller relationships has been changing, away from simple transactions with a lot of partners towards long-term relationships with a select few (Kalwani & Narayandas, 1995; Weitz & Bradford, 1999). Such long-term relationships result in mutually beneficial outcomes and are characterized by mutual trust, open communication, common goals, commitment to mutual gain, and organizational support (Morgan & Hunt 1994; Sallee & Flaherty, 2003). Off late manufacturers have realized the importance of marketing relationships and how they can accomplish effective drug distribution system up to the end consumer but the challenge for them is to cope up with the streamlining of the system so that it turns out to be beneficial for the end consumer also (Langer & Kelkar, 2008).

The following section lists some of the important advantages of relationship between pharmaceutical companies and distributors. The advantages are listed from distributor's end and then we discuss that what kind of return pharmaceutical company provides to the distributor being in a good relationship.

Importance of the relationship of supplier with the distributors in pharmaceutical industry:

- Distributors are very crucial assets of the organizations as they can be clinical in providing the all important market coverage to the company. Because, from the geographical perspective it is the distributor that is aware of the important retailer touch points in a

particular market.

- Revenue generation on a large scale is very essential for a company because it is a key determinant to greater economies of scale. Distributors have a very important role to play in achieving the large scale revenue generation due to their widespread coverage of the potential markets.
- In order to execute the marketing campaigns, the company needs a lot of crucial information in terms of competitor sales trends, competitor products and market coverage. Distributor of a company can substantially help the company in such matters by keeping a close watch in the trends and the intensity of competition in the market.
- Distributors also significantly contribute to the market research projects of the company by providing the primary data to their respective companies obtained from the day to day ground level business operations.
- In presence of a strong manufacturer-distributor relationship, distributors have a tendency to make sacrifices and share the risk of failure of the new product in the market. But such sacrifices are only made when there is a lot of trust going on and lot of time and effort is invested in the relationship by the supplier also.

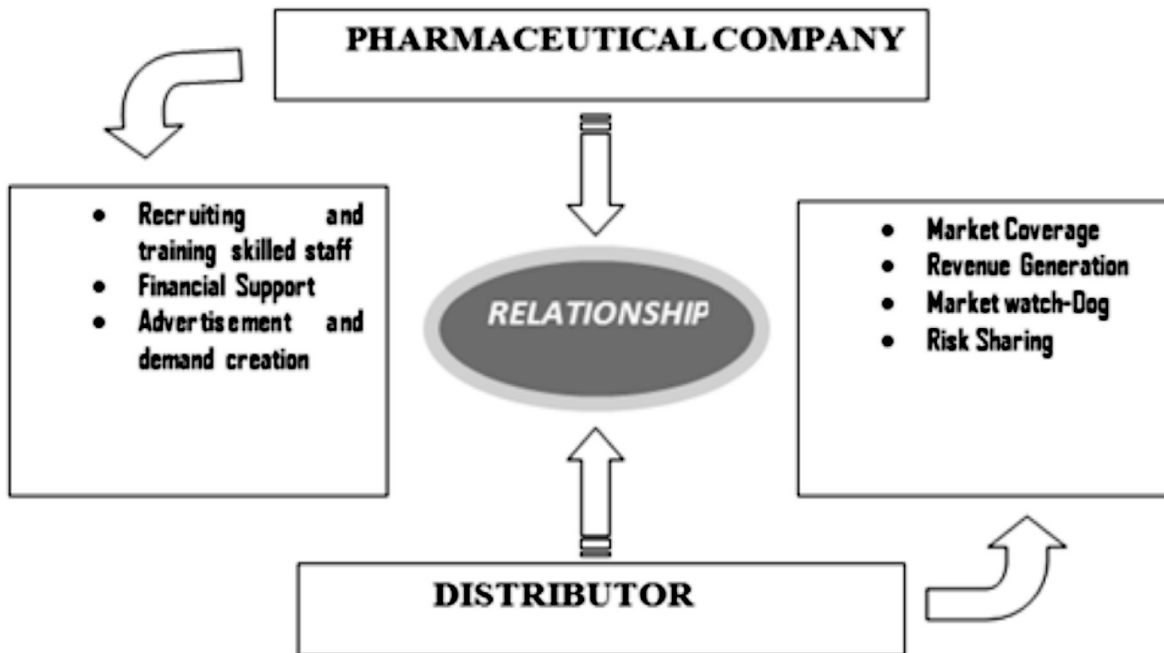
Importance of relationship for distributors with the supplier company:

For the development of company-distributor business-to-business relationships, company plays its own important

role by facilitating the business of distributors and such efforts from the supplier end need to be acknowledged very rightly by the distributors. After selecting a particular distributor in a distribution network the company is usually provides following advantages to the supply chain partners:

- The company puts a lot effort to recruit and train the sales staff that can perform the sales activities and create sufficient market demand for achieving the sales targets. The sales personnel perform the task of providing sales and marketing support to the distributor within the policy framework and compliance code of the owner company.
- Another important support that a distributor avails from a company is the financial support in the form of credit facility and these facilities are more prevalent in the pharmaceutical industry. This helps the distributor to operate on a large scale and exploit the possible opportunities in circumstances of shortage of adequate finance.
- The efforts made by the company's advertising and sales staff enhances the demand creation for the distributor in a particular geographical area. This ensures the smooth functioning of distributor as some of the responsibilities of distributor are minimized in terms of volume of advertising.
- The following picture provides a brief pictorial representation of the relevant benefits and assets related with the relationship of company and distributor.

Figure 6



Drivers for implementing CRM:

1. There key reason for implementing CRM is to improve the customer relations. Because, better relationships have the potential to deliver promising benefits in term of customer retention, satisfaction and loyalty which in turn lead to profitability.
2. The CRM technology can provide companies with strategic advantage as it can provide a leverage by making use of the strategic data. Most of the times the data related to doctors, retailers, patients and wholesalers remains locked in the departmental silos. The sophisticated analytical and data mining techniques of CRM can prove phenomenal in devising the appropriate market strategies by capturing and utilizing this data in an efficient way.
3. Sometimes due to the lack of expertise of the sales force and use of traditional manual procedures, a company may not be able to obtain the optimum information about customers so as to retain them. It becomes important to aid them with right kind of CRM tools to help them to contribute towards the automation of the activities like sales and service for achieving the requisite company goals.
4. Due to the complex geographic profile of pharmaceutical industry the territorial communication, sales and advertising costs are growing with time and more often it may square of the advantage of increasing the customer base in a particular market. With the sophisticated contact management technology of CRM packages, companies can efficiently reduce the relevant operating costs.
5. Pharmaceutical industry usually is attributed with a very high attrition rate of the sales personnel. Companies spent good amount of capital for developing competent sales staff and therefore training costs of sales representative is always on a higher side. The training usually pertains to gauging the prescription habits of the doctors and developing new distributors for the company. As a result of high attrition previous training and skill development efforts could be lost and the new staff might not come to terms with the existing working patterns of the company. However, with the effective database management that comes with the CRM packages, the built in records can help the new staff in getting familiar with their requisite job in the organization rather timely.

Conflicts between the Distributors and the Pharmaceutical Company and the impact on relationships:

In an interdependent working relationship there is always a tendency of conflict. The conflicts can affect quality of relationship negatively to a great extent and is referred to as affective conflict in academic literature. Interpersonal tensions, animosities and annoyances affect the both parties desire to communicate or interact which eventually leads to the termination of buyer-seller relationship (Jehn, 1995) and therefore the affective conflict can have negative impact on the relationships (Frazier, Gill & Kale 1989; Jehn, 1997; Kumar, Scheer & Steenkamp, 1995). Conflict arises due to the obstruction, blockade, frustration and impediment of certain behaviour by one or the other partner in a partnership (Deutsch, 1973; Gaski, 1984; Stern, El-Ansary & Coughlan, 1996). Conflicts are an element of business-to-business relationships that can impact the ability of one of the party to achieve its goals on account of the other.

Due to its multidimensional nature, researchers have divided the conflict research into task (cognitive) and emotional (affective) conflict (e.g., Amason, 1996; Jehn, 1992). Both of these conflicts have been found to exist in business relationships (Jehn, 1995). The disagreement of two parties over accomplishing of a particular task is referred to as task conflict (Jehn, 1997). While as some other authors have termed this kind of conflict as cognitive conflict (e.g., Amason, 1996) and systemic or structural incompatibilities (e.g., Wilkoff & Selsky, 1995).

The other type of conflict usually arises due to the incompatible behaviour of people on job (Amason, 1996; Burnett, 1993; Jehn, 1995; Shapiro & Rosen, 1994). This dimension of conflict is known as affective conflict or emotional conflict (e.g., Pelled, Eisenhardt & Xin, 1999) or whereas some studies have mentioned it as relationship conflict (e.g., Jehn, 1995, 1997).

The business-to-business relationships in pharmaceutical industry fundamentally revolve on the basic principles of relationship marketing and are expected to go through such conflicts and disagreements. The following section provides a brief overview of the most common cognitive and affective conflicts observed in context of pharmaceutical business-to-business relationships.

Communication lag and the inefficient execution of orders:

Some of the sales executives are of the opinion that manual sales force tools may result in communication lags and consequently the orders are delayed or inefficiently executed. This can be a big barrier in the trust development measures with the distributors. The backorders from the manufacturer company creates a lot of inventory problems which in turn also affects the retailers who are dependent on the distributors for smaller but quicker supplies of medicines. The communication lag becomes very critical in real time information exchange environment.

Delay in payments:

Another important factor leading to conflicts is the financial transactional factor. At times the delay in the payments even if it is very small creates some doubt on the trustworthiness and reliability of a distributor. Policies of different companies in terms of handling the financial matters may vary across the industry. Some organizations might be lenient in such matters but at the same time for some pharmaceutical companies it might prove to be a key element for sustaining and continuing the relationship.

Attitude of the human resource of company as well as the distributor:

Attitude of the human resource plays a key role in deciding the strength and maintenance of the relationship between two parties. It is necessary that the attitude of the human resource of both the stakeholders is in line with the mutual interests and goals of both. Conflicts can severely affect the in the context of long-term relationships, because it is the human resource which operationalise the daily activities of the both the partners. Hence the importance of the attitude and nature of working of the personnel cannot be ignored.

Policies of the company and the distributor:

The disparity in the policies of the distributor and the pharmaceutical company may also result in conflict like situations. The policies may be regarding the price of products, inventory management etc. With reference to pricing distributors might not be affected directly but the retailers might not be happy with it as they have to explain the price rise to the patient consumers and consequently the tension will add up between the distributor and the retailer or pharmacist. The disagreements may also be because of product line extensions which makes the job of distributors a bit difficult in terms of inventory expense. Sometimes distributors may not be as receptive to new ideas from salespeople of the company when interpersonal friction exists. For the relationship to grow in a positive manner, it is very important that the policies of the distributor and the company are perfectly synchronized towards achieving the common goals that will benefit both the partners.

Key product shortage:

Key product of company refers to the product that is most important both in terms of volume of sales as well as brand reputation. Whenever the sale or marketing of the products is done, the key products receive special kind attention in terms of their inventory positions and the rate variations. In other words the company can't afford any kind of error related to the availability or sale of this product in the market. The shortage of these key products is one of the major sources of disagreements between the company and the distributors in terms of trust and reliability if the company fails to deliver such products whenever it is needed in the market.

Improper promotion tools:

In the context of the company-distributor relationship it is essential that the promotion tools used by the company to boost up the sales coordinate with marketing strategy of distributor also. The conflict may arise if the promotional tools do not integrate with the distributor's intent, because a distributor might have a better knowledge than the company about a particular region. A distributor may more often put some additional efforts in taking the company's product a long way. Any kind of discount offered by the manufacturer for some medicines if not communicated timely to the distributor can create a supply crunch for the medicines which might not be actually present with the distributor. Promotional tools such as cash discounts, quantity discounts should be created after proper consultation with the distributor.

A brief look at the CRM practices between observed in Indian pharmaceutical industry in recent past:

An approach to develop and explore win-win solutions to conflict issues in a channel is known as collaboration conflict management. This approach involves open lines of communication, high levels of information sharing and the taking care of each party's goals (Gross & Guerrero, 2000). Although the process of sharing potentially sensitive information to develop win-win solutions can be time consuming and risky, it is believed that in most situations, the benefits of collaboration outweigh the costs and risks; thus, the use of collaboration should typically improve the quality of relationships. CRM is sought after thing by distributors because it fills the gaps in communication as it comes with the ability to manage sales organizations with a streamlined process by use of important daily basis data. Usually the CRM applications that are used in the distribution industry include dashboards of data related to important business-to-business customers, integrated contact management and some tools that help in planning the timing and frequency of calls targeted to keep in touch with those customers. Customer data pipelines are used for managing opportunities across a sales process appropriate to each distributor's business objectives.

“Realising that conflict is inevitable aspect of relationship, being realistic about this occurrence; partners can be prepared, thus ensuring a proactive co-operation in resolving issues” (Berndt, 2007).

The following section provides a brief description of the CRM practices that have been observed in Indian pharmaceutical industry.

Non-Technological CRM tools:

- The willingness and effort to maintain a relationship between two parties can be recognized by the intent and additional efforts of a partner contributed towards the business line of other one. The efforts may be in terms of

investment of efficient logistics systems and timely delivery. This in turn reduces the problems in the supply chain because the shortage of key products can be nullified. The lesser the problems between the company and the distributor, more are the chances of building a healthy relationship in the long run.

- In the recent past it has been seen that the well reputed companies organize conferences and research meetings at the large scale and regular intervals. These conferences and professional meetings serve many purposes. One of the important reason is to make the people and the doctors aware about the drug developments and therapies that the company intends to launch or has already introduced in the pharmaceutical market. From CRM point of view these events are precursor to the strong goodwill of the company, because it brings the customers, doctors, distributors and the other members of supply chain together on a common platform. This goodwill can be used in an efficient way by the distributors to convince the relevant doctors in a more positive way. Therefore, companies may organize and channelize these events exclusively keeping in mind the benefit of their stakeholders. Moreover, these events open up the chances for face to face communications of all the stakeholders so that future business goals can be made clear to each other.
- Another important practice that is being observed these days is the organising of free medical camps of by the companies. It usually builds up a great amount of positive attitude of patients towards the company. It also helps in shaping up the brand reputation of the company among the doctors as well. So this practice serves as a good tool of Corporate Social Responsibility (CSR) and also aids indirectly to CRM practices of the company.
- A proper behavior of the sales and other personnel adds to the CRM practices in a company-distributor relationship. Mechanisms to diffuse, and settle conflicts rapidly and effectively include mediating mechanisms, training of personnel in conflict management (Berndt, 2007). The connection between the customer (Distributor) and the firm (Pharmaceutical Company) is likely going to be strengthened when the employees conform to the organization behavior and value. Under such environment an employee will probably exert a strong impact on organization reputation and attitudes (Coulter, 2002). Effect of positive employee behavior could be expressed by increasing speed of response to customer and ensure employees are friendly and respectful to customer (Coulter 2002; Hanley & Leahy).

Technological tools of CRM between Company and Distributor :

Internet: One of the major technological tool that serves as a tool for CRM is the internet. As the internet is revolutionising the ways of communication with the customers and other stakeholders of organizations, the pharmaceutical companies are not behind in adapting the useful, innovative and efficient ways of communication associated with the internet. With the help of internet, sales opportunities through the sales pipelines can be accelerated; visibility to price and margin pressure in key accounts is increased. Internet is also useful in proactive response to year-over-year variations in product purchases and tracking customer calls associated with marketing programs or new products.

- In pharmaceutical industry internet is also being brought into action by providing the distributors with company based logins which can be accessed by the distributors at their respective business units anytime. These logins are unique and exclusive to the distributors. These logins help the distributors and the pharmaceutical companies in maintaining the communication in a more desired manner in order to streamline the supply chain functions. Logins as a CRM tool serve the following purposes:
 - These logins help in receiving the orders online in a faster mode. These logins also help to estimate the product stock available in the market with the distributors and other retailers. Therefore these logins have the ability to bring visibility to the inventory positions of a particular product.
 - These logins are very important in determining the expiry status of the drugs that are with the distributors so that they can be pumped into the market rather timely.
 - Logins are also helpful in tracing the current rates of products. They also keep a track of the fluctuation of the rates if any at regular intervals.

Call Centres:

Call centre is the department of the pharmaceutical companies that work all day and night on continuous basis in order to resolve the customer queries even though most of them may be outsourced. Call centres are one of the most effective tools of CRM resolve the customer queries in a real time environment. The resolution might be related to pricing, the mode of payments and the inventory checks etc.

Another important aspect of call centres is that they aid in minimizing the errors in business operations by training the employees to become customer centric in their daily work. Employees may be specially trained and guided to see things from the customer's point of view so that the customer feels valued by the company. This thing is only possible when the

company has a customer centred view and values the business relationships as an important asset of the company.

PDA(Personal Device Assistants):

Personal device assistants are one of the frequently used technological tools in pharmaceutical industry. It's a tool that is used at many levels. This tool is used by the company, distributors as well as the sales staff. The personal device assistant is very useful analytical CRM tool. The analytical feature of this tool helps in tracking the product and service delivery.

More often this device comes handy as a tool of supervision of sales personnel. It keeps a track of their working location locations and their daily allotted work schedules etc. The efficient and timely supervision leads to better commitment from sales force towards their work which in turn may help to build trust in the distributor-company working relationship. It's also useful in the demand analysis.

Conclusion

Sometimes for managing multiple systems precious resources are wasted. Larry Caretsky, one of the CEO of CRM for Manufacturing and Distribution, advocates that for effective distribution firms need an intelligent, customizable, integrated application to connect the business processes and increase visibility for effective decision making. Such processes should be extended to customers and supply chain channel partners also. The above discussed literature about the CRM applications suggests the distribution structure of the pharmaceutical industry is very dynamic and complex in nature. The use of CRM applications is very much inevitable for managing these complex relationships through proper communication systems and efficient use of data. Opportunities, inventory utilization, service issues and expenses can be watched out with more clarity. In fiercely competitive environment of pharmaceutical industry the key to success is not only cost-effective, timely production, rather streamlined procurement processes are also essential. Moreover, the collaborative conflict management practices of CRM, whether it may be technological or non-technological, are supposed to aid the speedy and efficient conflict resolution among the different partners of the supply chain especially between the company and the distributors. Some of the important benefits that can be observed as a conclusion are increased efficiency through automation, ability to provide faster response to customer inquiries, having a deeper knowledge about the customers, getting more marketing or cross selling opportunities, reduced costs of sales and increased medical representative productivity, receiving customer feedback that leads to new and improved product/s or services and all these factors can effectively contribute to building and strengthening long-term profitable relationships.

Managerial Implications and directions for future research:

This study tried to identify the different patterns of distribution in pharmaceutical industry and it was found that the supply chain is very much diverse in nature also extends beyond formal structure in some competitive environments. Even though the use of CRM systems might be at a preliminary stage in India, pharmaceutical managers need to take a lead in introducing and practising these tools to gain a competitive advantage. The pharmaceutical companies might be reluctant in using the modern CRM technologies beyond their normal IT operations due to the relatively higher cost involved in it. But, as there are several evidences that CRM systems provided companies with greater business value, pharmaceutical companies must also take into consideration the investments in sophisticated CRM packages.

This study though provided a brief account of CRM practices purely based on previous academic industrial literature; the future studies should empirically investigate the implementation of CRM technology and their relevant benefits across the pharmaceutical industry. Studies should also focus on the elements that determine the strength of relationship between a company and its business-to-business customers. Another important area of study could be the examination of overall cultural elements of the organizations that affect the adoption and performance of CRM technology.

References

- Álvarez, L. S., Martín, A. M. D. & Casielles, R. V. (2007). Relationship marketing and information and communication technologies: Analysis of retail travel agencies. *Journal of Travel Research*, 45(4), 453-463.
- Amason & Allen, C. (1996). Distinguishing the effects of functional and dysfunctional conflict on strategic decision making: Resolving a paradox of top management teams. *Academy Of Management Journal*, 39(1), 123-148.
- Beckett, A., Hower, P., & Howcroft, B. (2000). An exposition of consumer behaviour in the financial services industry. *The International Journal of Bank Marketing*, 18(1), 15- 26.
- Berndt, A. (2007) *Customer Relationship Management and Customer Service*, South Africa. Juta and Co. Ltd.
- Bradford, K. D. & Weitz, B. A. (2009). Salespersons' management of conflict in buyer-seller relationships. *Journal of Personal Selling & Sales Management*. 29(1), 25-42.
- Coulter, K. S., & Coulter, R. A. (2002). Determinants of trust

- in a service provider: the moderating role of length of relationship. *Journal of Service Marketing*, 16(1), 35-50.
- CRM Activity Management. [online] <http://www.mrreporting.com/crm/pharmaceutical-crm-india.html#download-tab> (Accessed 1 July 2014)
- CRM Helps Improve Processes for Manufacturers and Wholesale Distribution Companies. [online] <http://www.crmsoftwareblog.com/2010/08/crm-helps-improve-processes-for-manufacturers-and-wholesale-distribution-companies>. (Accessed 3 September 2014)
- Deng, S., & Dart, J. (1994). Measuring market orientation: A multi-factor, multi-item approach. *Journal of Marketing Management*, 10(8), 725-742.
- Deutsch & Morton. (1973): *The resolution of conflict: Constructive and Destructive Process*. New Heaven, Yale University Press.
- Drug Distribution Channels. [online] <http://> Accessed September 2 2014
- Explore Supply chain Shortages: http://help.sap.com/fiori_bs2013/helpdata/en/3a/0e4352f770aa1ae10000000a445394/content.htm. Accessed 10 August 2014
- Franchise/Exclusive Marketing Cum Distribution-Ship Monopoly Rights. <http://www.parkinsonpharma.com/Home/Franchisee>. Accessed 8 September 2014
- Frazier, Garry, L., James D.G. & Sudir H. K. (1989). Dealer dependence levels and reciprocal actions in a channel of distribution in a developing country. *Journal of Marketing*, 53(1), 50-59.
- Gaski, J. F. (1984). The theory of power and conflict in channel distribution. *Journal of Marketing*, 48, 9-29.
- Gross, M. & Guerrero, L. K. (2000). Managing conflict appropriately and effectively: An application of the competence to Rahim's organizational conflict styles. *International Journal Of Conflict Management*, 11(3), 200-227.
- Hanley, S, & Leahy, R. (2008). The effectiveness of relationship marketing strategies in department stores. *International Journal of Business Management*, 3(10), 133-140.
- Jehn, K. A. (1995). A multimethod examination of the benefits and detriments of intragroup conflict. *Administrative Science Quarterly*, 40(2), 256-258.
- Kalwani, M & Narayandas, N. (1995). Long-term manufacturer-supplier relationships: Do they pay off for supplier firms? *Journal of Marketing*, 59 (1), 1-16.
- Kohli, A. K., Jaworski, B. J., & Kumar, A. (1993). MARKOR: A measure of market orientation. *Journal of Marketing Research*, 30(4), 467-478.
- Krishnan, S. (2012) 'CRM in pharma marketing', *Interlink Insight*, 11 (1).
- Kumar, N. & Scheer, L. K.. (1995). The effects of supplier fairness on vulnerable resellers. *Journal of Marketing Research*, 32(1), 54-65.
- Kumar, N., Scheer, L. K., & Steenkamp, J.-B. E. M. (1995). The effects of perceived interdependence on dealer attitudes. *Journal of Marketing Research*, 32(3), 348-356.
- Langer, E. & Kelkar, A. (2008). *Pharmaceutical distribution in India*. Biopharm International, 2-5.
- Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing', *Journal of Marketing*, 58(3), 20-38.
- Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability', *Journal of Marketing*, 54(4), 20-35.
- Pelled, L. H., Eisenhardt, K. M. & Xin, K.R. (1999). Exploring the black box: An analysis of workgroup diversity, conflict and performance. *Administrative Science Quarterly*, 44 (1), 1-28.
- Peters, L. D., & Fletcher, K. P. (2004). They love me, they love me not: Consumer relationship orientation and CRM', *Journal of Customer Behaviour*, 3(1), 53-80.
- Prasanta K. Padhy and Suresh Patnaik. (2008). Implementation of right CRM strategy for pharmaceutical industry. *Delhi Business Review*, 9(2), 39-46.
- Puschmann, T. & Alt, R. (2001). Customer relationship management in the pharmaceutical industry. 34. Annual Hawaii International Conference on System Sciences, Ed. Ralph H. Sprague. Los Alamitos: IEEE Computer Society.
- Roger Jeffery, et al. (2007). *Pharmaceutical distributions systems in India*. The centre for International public health policy.
- Rust, R. T., & Chung, T. S. (2006). Marketing models of service and relationships. *Marketing Science*, 25(6), 560-580.
- Salazar, A., Hackney, R. & Howells, J. (2003). The strategic impact of internet technology in biotechnology and pharmaceutical firms: Insights from a knowledge

- management perspective. *Information Technology and Management*, (2), 289–301.
- Sallee, A., Flaherty, K. (2003). Enhancing salesperson trust: An examination of managerial values, empowerment and the moderating influence of SBU strategy. *Journal of Personal Selling & Sales Management*, 23(4), 299-310.
- Saxe, R., & Weitz, B. A. (1982). The SOCO scale: A measure of the customer orientation of salespeople. *Journal of Marketing Research*, 19(3), 343-351.
- Sharma, R. K. (2005). CRM in the pharmaceutical industry. *Marketing Mastermind*, 59-62.
- Sinha, R. & Kaushik, C. (2010). CRM in pharmaceutical sector: meeting the challenges of changing healthcare environment, 70, 660-664.
- Stern, L. W., El-Ansary, A. & Coughlan. (1996): *Marketing Channels*, 5th ed., Prentice Hall, Upper Saddle River, NJ.
- Success strategies for Indian pharma industry in an uncertain world. http://www.business-standard.com/content/b2b-chemicals/success-strategies-for-indian-pharma-industry-in-an-uncertain-world-114021701557_1.html. Accessed 17 February 2014
- The direct approach. <https://www.dhlsupplychainmatters.dhl.com/efficiency/article/243/direct-to-pharmacy>. Accessed 11 September 2014
- Tamboli, A.: Top 6 Pharma Franchise Benefits. <https://www.linkedin.com/today/post/article/20140620115933-40873140-top-6-pharma-franchise-benefits>. Accessed 13 September 2014
- Thompson, C. D. & Morris, R. (2012). The benefits of customer relationship management (CRM) in the healthcare industry. *Issues in Information Systems*, 13(2), 397-403.
- Wilkoff, B. & Selsky, B. (1995). When the stories are different: the influence of corporate culture mismatches on inter-organizational relations. *Journal of Applied Behavioral Science*, 31(3), 373-388.