

LET'S SOLVE A MARKET ENTRY CASE





The client is in the business of making anti smoking pills- the way we have those patches and lozenges in the market to curb the urge to smoke and wants to sell it at a premium price. You have been hired to find out if the product can be introduced in a country like India - and if so - what is the expected target market, market share and a feasible price at which the drug should be sold?

CASE FACTS

- Client is in the business of making anti-smoking pills
- Client wants premium price for its product
- Client wants to find product's potential in India – target market, market share and feasible price

APPROACH TO USE

Since this is a new product launch, we would structure the discussion around the product characteristics (development and customization) for the Indian market and then move on to the launch (competition, distribution and promotion) part of the case.

Interviewer - Please note that this product is not entirely new; it has been introduced in other countries already

Interviewee- To start with, can you tell me something more about the product? How is it different?

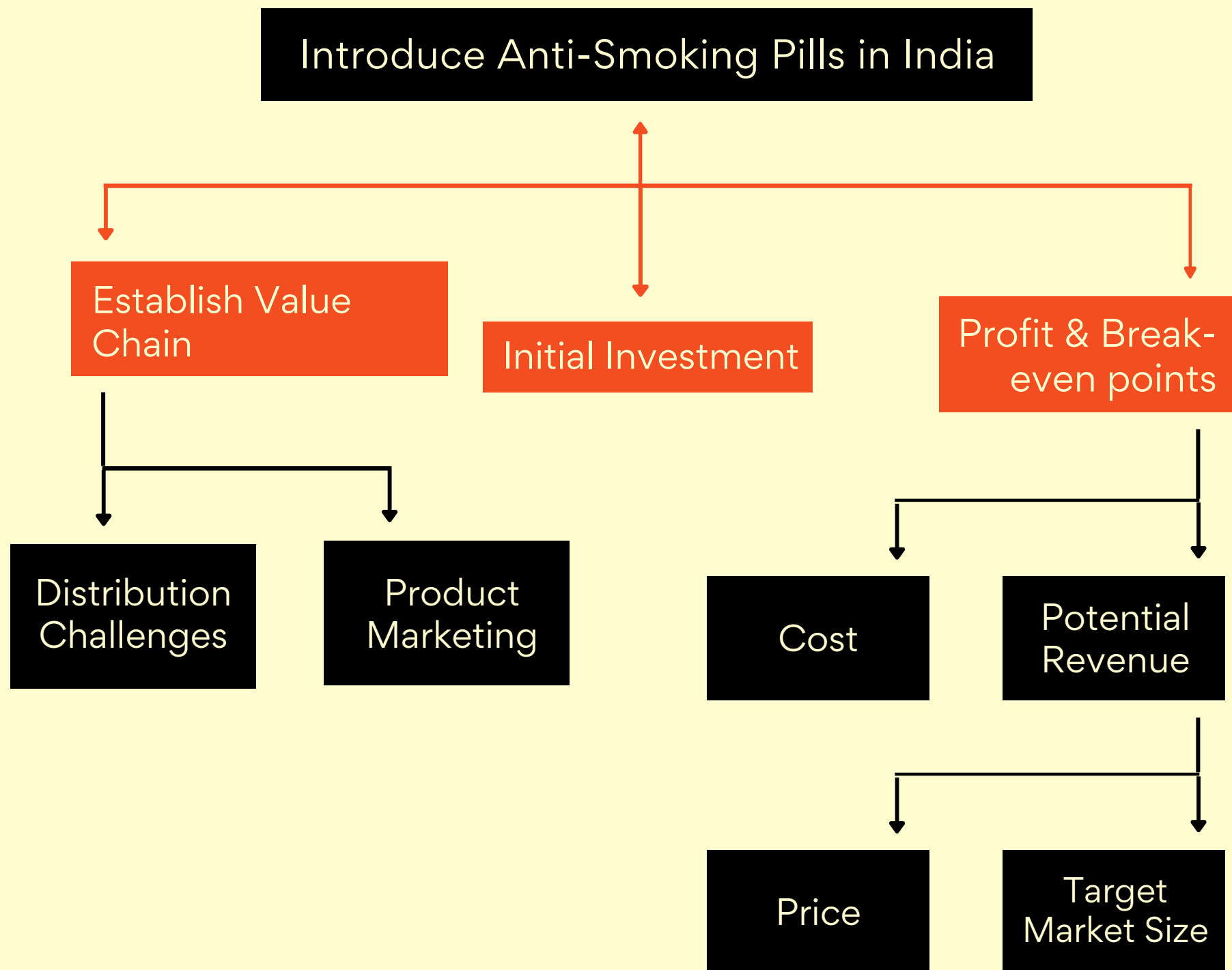
Interviewer - Unlike the lozenges or patches, this product is completely nicotine free - it is 5 times more effective as proved by lab results and 50% of the test results responded to the pill (which in this industry is an extremely high number thus indicating success). Moreover, it is a drug that cannot be sold over the counter – it requires a prescribed dosage given by the doctor. It is to be taken for 3 months daily, 3 times a day

Interviewee- This gives us the advantage to position our product as superior due to the higher efficacy of treatment. Let's explore the competitive scenario next so that we can decide the price before determining the overall market size

Interviewer - So, there is no similar product in the market. Cheaper products like lozenges exist but they contain nicotine and sell for Re. 1 per unit

Interviewee- What are the other countries where the product has been introduced? How receptive have the customers been in those countries?

Interviewer - The other countries have smokers who are quite similar to the Indian consumers. The product has been quite a success.



Interviewee- This means that the target audience will be receptive to the product and we can assume that there is a strong market for the same.

Interviewee- We will now proceed with the estimation of the price and market size. There are two ways that we can price a new product in a non-competitive market: Cost based and 'willingness-to-pay' based. In the first, we would calculate the cost to company and charge a margin on the same while in the second case; we would calculate the propensity of the consumer to pay for this drug. This would vary with the target segment chosen. Ideally, we should be able to calculate the optimal profit case by considering the trade-off in sales volume vs. price for various price points. The solution will also be influenced to an extent by the growth rates of the different target segments overall, say movement of people to upper-class from lower-middle class

Interviewer - In our case, let us assume we did this and came up with Rs. 8 per unit. You think that sounds reasonable?

Interviewee- A price of Rs. 8 per pill is feasible because of the lab results - people will be convinced that it is a medically prescribed drug and since it is a pre-scheduled dosage for 3 months, results are guaranteed. We can also stress on the on nicotine bit and indirectly position this as a life saving drug.

Interviewer- Let's estimate the market size assuming we decide to price it at Rs. 5 per unit

Interviewee- Let's take Delhi as a base case.

Total Population

150 lakhs

Potential Demographic

% quitters who
can't afford the
product= 75%

% who want to
quit= 20%

% who
smoke= 40%

Potential Customer Base

$150 \times 0.4 \times 0.2 \times 0.75$
= 9 lacs

Potential Revenue

The potential revenue is cost to afford a drug ($\text{₹}8 \times 3 \times 90 = \text{₹}2160$) by the potential customer base

9 lacs * ₹2160
~200 crores

Revenue Projection

Assuming this drug will reach 25% of the population across India as its effective & one-time payment to quit smoking

$200 / 150 \times 0.25 \times 10000 = 3333$ crores

Interviewer - Very interesting. What will drive the market growth our market share?

Interviewee- The market growth rate will be affected by the sales and distribution coverage, willingness of people to quit smoking and addition of new smokers who would want to quit after sometime. We can look to capture about 80% of this market eventually, assuming no major competitor enters the market, which can be prevented by IPR support. Since this is a prescription drug, the bulk of the promotion costs in this industry are in targeting the doctors and chemists via direct sales agents or Medical Representative to convey the pros and cons for them to a) prescribe the drug and b) keep it in their pharmacies. This will drive our market share from the potential market size.

Interviewer - Good. What about the other 20%?

Interviewee- We're assuming that the remaining 20% will comprise of smokers who are unwilling to quit smoking (10%), perceive the price to be high (5%) or are not aware of the product (5%). This percentage can decrease as we move further in the product life cycle and the product becomes well established through marketing and promotion efforts

Interviewer - Any other costs/concerns that you would like to address?

Interviewee- The training costs for the direct sales agents will also be critical as this is a new product and local agents would need an in-depth understanding of the product. No. of sales people can be calculated by total workload method: Assuming Doctor/Population ratio and say 3 doctors per day and repeat visits every 2 months; and Chemist/Population ratio and 3 chemists per day and repeat visits every 15 days. The supply chain will have to be considered - the warehousing, distribution network, retail chains etc. We can perform the cost benefit analysis for using middle distributors v/s direct distribution.

Interviewer - Great! That'll be all. Thank you.

CONSULTING COHORT

Mentors from



- 1 5 weeks, 6 mentors, and 12+ hours of live course content
- 2 Hands on Consulting project
- 3 Free CV templates and interview preparation resources
- 4 Free 1-on-1 consulting mentorship session
- 5 Exclusive networking opportunity with top-tier consultants
- 6 Regular Job Updates from consulting firms

SIGN UP

20% discount for first 25 applicants