|  |  |
| --- | --- |
|  | ISB_Logo_BW2 |

9B17A028

guardian lifecare: customer centricity as a value proposition

Swarup Kumar Dutta and Rojers P. Joseph 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.

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e)* [*cases@ivey.ca*](mailto:cases@ivey.ca)*;* [*www.iveycases.com*](http://www.iveycases.com)*.*

*Copyright © 2017, Richard Ivey School of Business Foundation Version: 2017-05-18*

In December 2014, Ashutosh Garg, chairman and managing director of Guardian Lifecare Private Limited (Guardian), went back to his office in Gurgaon, India, after holding a meeting with a group of private equity holders in his company. Founded in 2003, Guardian had become the second-largest player in the Indian pharmaceutical retail market within a decade of its launch. It was positioned as a friendly neighbourhood pharmacy, and it served 7.5 million customers each year through more than 230 stores across India. Now, Garg wanted to inject more funds into the next growth phase of the company.

Traditionally, the Indian pharmaceutical retail market had been plagued by several structural weaknesses such as the widespread sale of spurious and substandard drugs, customers’ lack of education and awareness, a poor overall customer experience, and low margins caused by the market’s highly fragmented nature. Placing customer centricity[[1]](#endnote-1) at the core of its value proposition, Guardian had focused on addressing these structural weaknesses to build a successful chain. It found unique ways to engage its customers and keep them satisfied and loyal in an industry that traditionally did not treat its end-users as primary customers. As Garg prepared to take Guardian through the consolidation stage by opening 300 more stores across the country, he needed to analyze the long-term challenges that Guardian would have to meet while seeking to maintain its high growth in an emerging market like India.

****Company Background****

**Guardian Lifecare Private Limited was founded in 2003 by Garg as a pharmacy retail chain under the Guardian brand. Within a decade, it had** became India’s fastest-growing chain of health, wellness, and beauty stores with over 230 across the country and one new store added every week. Built on a strong platform of reliability and customer centricity, the company had a presence in 26 cities and was expanding rapidly. Positioned as “the Chemists India Trusts,” Guardian’s customer premise was based on providing “reliable medicines” in a retail environment that was uniquely branded. Around 2004, Guardian entered into an exclusive tie-in with GNC Holdings Inc. (GNC), America’s bestselling nutritional supplement brand. The alliance with GNC helped position the pharmacy retail chain as one that was more concerned with the wellness of the customer (see Exhibit 1).

To position itself as a friendly neighbourhood pharmacy, Guardian began with a unique proposition called *Guardian Health Chronicle.* This four-page health and wellness supplement was circulated for four years with the *Hindustan Times* and *Dainik Jagran*,[[2]](#endnote-2) in both English and Hindi, in the National Capital Region. Later, *Guardian Health Chronicle* was changed into a magazine format and sold through Guardian retail stores. This unique marketing initiative helped Guardian stand out from the “mom-and-pop” pharmacies and organized competitors.

Rural India continued to be a huge dumping ground for spurious and substandard medicines. In rural and semi-urban India, Guardian positioned itself by the name “Aushadhi,” a Sanskrit word for medicines. Aushadhi stores were opened with the idea of dispensing reliable and genuine medicines to rural communities. Thereafter, Guardian launched its own private label called Guardian Brands. It had an exhaustive range of more than 285 stock-keeping units, and the number kept growing. The range comprised nutrition, sports nutrition, vitamins, hospital care, health care, personal care, body support, mineral water, and diapers. The uniqueness of Guardian’s success lay in its focus on customer centricity, which differentiated the company from its competitors in terms of improved customer experience.

****Pharmaceutical retailing****

Pharmaceutical retailing was unique from other retailing in several ways. It was one of only a few industries that did not treat its end-users (patients) as primary customers. Pharmaceutical companies treated the doctors who prescribed their medicines as primary customers and the retailers that sold their medicines as secondary customers. Companies generally spent millions on promotions targeting doctors, whereas patients who paid for their medicines generally did not feature in marketing plans. The traditional focus on doctors as the most important component resulted in a great power imbalance[[3]](#endnote-3) in the pharmaceutical value chain.[[4]](#endnote-4)

All over the world, pharmacy retail chains were moving from sick care to health care. This change brought changes in the role of the pharmacist, who was no longer expected to only dispense medicines as scribbled on a patient’s prescription. Rather, the pharmacist was expected to maintain the patient’s drug profile, provide information about drugs and their use, and offer support in disease management services. This increased role could become possible only when the industry became organized and was run professionally.

The most important stream of income for commercial pharmacies in developed countries was derived from dispensing managed care prescriptions, and this practice was developing in India as well.[[5]](#endnote-5) With increased access to cheap health care insurance, Indians were spending more and demanding better health care facilities. With the entry of organized retail chains, the pharmaceutical retail industry had undergone considerable changes. These chains provided a better customer experience in terms of ambience, cleanliness, air conditioning, and store staff training. In addition, they provided loyalty programs where customers got points for their purchases, which could be redeemed at the stores. The programs also helped customers get attractive discounts at hospitals and diagnostic centres with which the retail chains had tie-ins.

****pharmaceutical industry in India****

The Indian pharmaceutical market was the third largest in the world in terms of volume and the 13th-largest in terms of value. It was dominated by branded generic drugs, which constituted nearly 70 per cent of the market, followed by over-the counter (OTC) medicines and patented drugs, at 21 per cent and 9 per cent, respectively.[[6]](#endnote-6) The Indian market was showing signs of healthy growth and was likely to be in the top 10 global markets by value by 2020.[[7]](#endnote-7) It was expected to grow at a compound annual growth rate (CAGR) of 15 to 20 per cent, and reach between US$50 billion[[8]](#endnote-8) and $74 billion in the coming decade.[[9]](#endnote-9)

India was a significant producer of active pharmaceutical ingredients and formulations. Its pharmaceutical companies included global players in generic drugs and vaccines. Most of the major players operating in India were multinational companies that were foreign-owned and were already generating more than 75 per cent of their revenue outside India. Robust economic growth had increased the buying power of India’s middle class and propelled the growth for health care services in general, particularly medicines. Also, the emergence of lifestyle diseases such as diabetes, cardiovascular diseases, and cancer had increased the demand for medicines (see Exhibit 2).

Evolution of the Organized Pharmaceutical Sector

In 2014, the Indian pharmaceutical industry was primarily unorganized. With the entry of branded pharmacy retail chains, the industry was expected to get more organized. There were a few big players that dominated the organized pharmaceutical retail sector in the country, such as Guardian Pharmacy (Guardian Lifecare), Fortis Healthworld (Ranbaxy Laboratories), Reliance Health and Pharma (Reliance Retail), Apollo Pharmacy (Apollo Hospitals Group), Dial for Health (Zydus Cadila), MedPlus Health Services, and Frank Ross Pharmacy (see Exhibit 3).

****Pharmaceutical Retail Market in India****

Several significant developments marked the Indian pharmaceutical retail market between 2005 and 2012, with the advent of retail chain pharmacies being significant among them. Consolidation was increasingly becoming an important feature of the Indian pharmaceutical market, which traditionally was highly fragmented and unorganized.[[10]](#endnote-10) Foreign direct investment in multi-brand retail in India was still not permitted, and this was hampering the ability of the organized players to raise money for growth. The pending legislation on foreign direct investment, if passed, would intensify competition in the pharmaceutical sector.[[11]](#endnote-11) Moreover, the widespread sale of spurious and substandard drugs in the country (the World Health Organization reported that 35 per cent of the world’s spurious drugs were produced in India) had forced authorities to crack down on illegal drugs.[[12]](#endnote-12) Subsequently, the Central Drugs Standard Control Organization, under the Ministry of Health and Family Welfare, declared dozens of drugs commonly sold in India “not of standard quality.”

Market Size and Growth

Only 20 to 30 per cent of the approximately 800,000 pharmacy retail outlets in India were run by organized retail companies; the rest of the market was dominated by traditional/local chemists.[[13]](#endnote-13) The modern pharmaceutical market had seen significant growth with large-scale investments made by Indian pharmaceutical companies since 2005.[[14]](#endnote-14) Consequently, modern health-conscious Indian customers had numerous pharmacies jostling for their attention (and money). These pharmacies offered great choice to consumers.

Various factors had contributed to the increase in pharmaceutical retailing in India. Sanjeev Dani, regional director of Ranbaxy, India and Middle East, enumerated them:

Rapid urbanization and the growth of the healthcare industry, the introduction of premium, high-end medicines, the introduction of hospital chains—which has a cascading effect on healthcare delivery—the start of professionalized pharmacy chains, and the ministry’s proposal to allow consumer stores to sell OTC medicines are all responsible for the growth in pharmacy retailing.[[15]](#endnote-15)

According to Garg, organized pharmaceutical retailing was in keeping with the trend toward organized retail in virtually all industries. With pharmaceutical retailing becoming more and more organized, and a large number of retail formats coming up, consumers had greater choice with respect to quality, price, and variety.[[16]](#endnote-16) Apart from providing an upscale shopping ambience at no extra cost, most of the branded pharmacy retail outlets provided value-added services such as home delivery, prescription records, reminder services, state-of-the-art pharmacies, special diabetic care sections, self-diagnostic equipment, natural foods, baby care products, skin care, and toiletries.[[17]](#endnote-17) Garg stated: “The credibility and emotional bond has to be developed with every customer, and organized pharmacies are working towards developing such bonds. We go through a detailed process of checking medicines before these are put on the store shelves.”

With pharmacy retail outlets emerging on a large scale, local chemists seemed to be quite concerned about their future. Brushing aside their fear, Garg said, “The market is very large and both the organized and unorganized pharmacy retail outlets will co-exist peacefully.” The organized pharma retail segment was expected to grow at a CAGR of 15 per cent over a period of five years from 2013. Besides being a one-stop shop for all health needs of consumers, the confidence these retail outlets instilled in consumers as a source of genuine medicines gave them a competitive edge. However, it would take some time for the consumers to switch from their trusted neighbourhood pharmacists, even though retail chains held some clear advantages over the conventional pharmacists (see Exhibit 4). Considering this, organized chains were in a phase to build a network that was future-ready.[[18]](#endnote-18)

Guardian’s Value Proposition

Overall, Guardian’s value proposition was enhanced with a three-pronged approach: *customer centricity* backed by unique *customer experience*, with the added benefit of *value-added services* (see Exhibit 5).

****Customer Centricity****

Long before the first Guardian store opened, Garg had spent many days observing the buying behaviour of customers and the selling behaviour of the counter staff at various chemist shops. He found that every stage of the purchase process was unhygienic and lacked transparency. He cited the examples of chemists trying to clean bottles of cough syrup with dirty rags or blowing into paper bags or putting spit on plastic bags in order to open them just before a sale. This was unacceptable when selling medicines, and yet Indian customers did not seem to care. Also, the Indian consumer habit of not taking a bill for the purchase meant that if there was a problem with the medicine there was no way to establish that the medicine was purchased from that particular chemist. In rural areas, most medicines were directly dispensed by the chemist based on the patient’s symptoms. Patients would be given one or two tablets, which would be gulped by them then and there. The name of the medicine was never discussed, and because chemists were dispensing loose tablets, they could charge anything they wanted.

These observations helped Garg develop a strong conviction that the unorganized sector would present a big opportunity for growth for any player who could improve on the customer experience, even marginally. Virtually no organized player was present in the market, and clearly there was space for a new player to make a significant difference. Garg foresaw a huge value proposition that could be unleashed if customers found the right ambience and levels of cleanliness, backed by transparency in billing and adequate availability and reliability of medicines at Guardian stores. Based on these insights, which many market research agencies had failed to gather, Guardian’s foundation was laid.

Customer Experience

A pharmacy was one of the only businesses, theoretically, where every single person was a potential customer. A fallacy existed among doctors in urban India that by not prescribing the most expensive medicine, the patient might think that the treatment recommended was not good enough. However, linking “getting well” to the “price of the tablet” was a little far-fetched. On the other hand, many doctors in rural India prescribed generic medicines, where the prescription was linked to the cost of the medicine and the patient’s ability to afford it.

A pharmacy was the only retail format that had a conversion ratio in excess of 85 per cent. This meant that more than 85 per cent of customers who walked into a pharmacy normally ended up buying something.[[19]](#endnote-19) Customers normally did not go to a pharmacy simply to browse. Thus, monitoring the conversion ratio was important. Equipped with this insight, Guardian closely monitored the conversion ratio in stores very carefully, and if the conversion ratio dropped, this was cause for alarm.

Based on the insights gained by observing and analyzing the buying behaviour of customers, along with market research, Garg identified the following top five drivers of a delightful customer experience at a pharmacy:

**Location**: Customers wanted easy access to their pharmacy. They did not like to spend much time parking or paying for parking. Customers also preferred to buy medicines from stores that were close to their home; stores close to their place of work came a distant second.

**Sales assistance**: Pharmacists were generally the first point of contact for customers when they wished to understand which medicines were prescribed by their doctor and the side effects of those medicines.

**Availability of products**: The general experience of most customers was that their chemist was not able to provide them with all the medicines that they needed when they visited the store. Given the large number of medicines doctors had to choose from when they wrote a prescription, and the equally large number of new brands and new medicines being developed and aggressively marketed by pharmaceutical companies, ensuring 100 per cent availability was always a big challenge for any pharmacy. At Guardian, attempts were made to ensure that it provided as many medicines as possible and home-delivered medicines that were not available in the store.

**Trust**: The problem of fake medicines was rampant in India, and most customers were beginning to recognize this because of the good work done by the Indian government. Customers had begun to look at expiry dates more closely and to ask for a printed bill. However, the percentage of people who actually asked for a bill or checked the expiry date of a medicine was still relatively low, and as such, the problem and fear of fake medicines loomed on the horizon.

**Ease and speed of billing**: When customers walked into a pharmacy, they wanted to get their medicines quickly and leave as soon as possible. They were generally not willing to wait or browse. While this was normal behaviour for any customer at a chemist’s shop, the expectation of a quick turnaround was enhanced because most chemist shops in India were counter stores and did not give customers an opportunity to browse and look at other products while waiting for a prescription to be filled.

To get the customer experience right from the beginning, Guardian resorted to three broad approaches for addressing key issues that arose from time to time: (1) create a database for customer profiling and update it periodically; (2) categorize customers using demographic and psychographic analysis for customizing customer interactions; and (3) get timely and appropriate information for taking necessary actions.

Value-Added Services

Guardian enhanced its customer centricity and customer experience with tailor-made value-added services to suit its category of customers. These value-added services included creating new wellness categories like sports nutrition, herbs and remedies, sexual health, weight management, and beauty care—all through an exclusive alliance with GNC. The alliance helped Guardian position itself in relation to its competitors in terms of providing for the wellness of the customer. The wellness positioning was backed up by loyalty cards for customers like Extra Valu Card, GNC Gold Card, and Senior Citizen Card. Guardian attempted to cover each customer touch point and to maximize the value offerings by mapping the specific stages in the customer lifecycle so that the right message could be delivered to the appropriate customers at the right time.

Guardian also attempted to understand what made companies lose customers and developed insights on what drove away customers. Indian customers were as demanding as customers anywhere in the world, but they were willing to listen to the retailer’s point of view as well, especially if sales assistants were well trained and their knowledge and understanding of the products seemed credible. In building a customer-centric organization, Guardian tried to instill certain qualities in its employees, as described below:

**Tolerance**: It was generally believed that most customers gave a store three opportunities. If they met with disappointment of any kind more than three times, it was unlikely they would come back to shop at the store. Given that most stores repeatedly disappointed customers, Guardian had been fortunate to have more opportunities from its customers. This insight led to significant improvement in the service levels offered by each store in the Guardian retail chain.

**Price consciousness**: The Indian consumer was known to be price conscious. Discounts, markdowns, and other value-based offers were always picked up quickly. Guardian was able to differentiate its offering in terms of “value for money” compared to “cheap products of poor quality,” knowing well that the price of the products had to be right but the quality must not be compromised.

**Avoidance of billing delays**: Customers were not willing to wait for more than 30 seconds to get the bill, pay, and leave after medicines had been taken from the shelves. This became difficult, especially if there were several customers in the store. To handle the problem, Guardian created additional billing points. Also, a small ledge was created beneath the counter in busy stores, where medicines could be taken out in small plastic buckets and kept out of view of the customer. Complaints of billing delays dropped sharply immediately after such steps were taken. At the same time, Guardian trained its customer-care executives to walk up to waiting customers, engage them in a dialogue, and talk to them about promotional offers of Guardian brands and other products.

**Not offering discounts**: At Guardian, discounts were generally not offered, except in some government hospital stores or to senior citizens. However, Guardian offered a discount in the form of loyalty points on all purchases.

**Smart ways of handling the non-availability of medicines**: When a customer walked into a pharmacy and handed over a prescription, the standard practice was that the chemist placed the prescription on the counter and then told the customer whether the medicine was available. More often than not, if a prescription could not be filled right away, the customer took back the prescription and walked over to the next store in the same market. To tackle this problem, pharmacists at Guardian stores were instructed to keep the prescription in their hand and not on the counter. They would then tell the customer which medicines were available at the time in the store, and offer to home-deliver the remaining ones in an hour.

With this technique, the customer would not be able to grab the prescription and walk out of the Guardian store to its competitor. The moment this plan was implemented, the prescription conversions increased substantially and Guardian had many more satisfied customers. Garg emphasized that the custody of the prescription was the key to making a sale. Furthermore, Guardian developed insights about what upset a customer and came up with six ways for understanding them (see Exhibit 6). Gaining such in‑depth insights about customers was not something that just happened. It came from extracting insight from all major customer touch points and channels in the organization.[[20]](#endnote-20)

Guardian gained significantly through its three-pronged strategy of creating a value proposition for the customer, which helped in (a) developing Guardian as a brand through differentiated experiences; (b) boosting revenues, which resulted in both top-line and bottom-line growth; (c) improving customer loyalty; and (d) lowering costs by reducing the customer churn rate.

Challenges

The organized pharmaceutical retail sector was emerging in a big way in India, yet the opportunity horizon and sheer size of the Indian market was too large for any sizable impact to be created quickly. The Indian consumer was beginning to accept shopping as an enjoyable experience. Consumers, particularly the younger generation, were willing to pay a premium price for the shopping experience. It was possible that over the next decade or so, Tier 1 and Tier 2 cities, or other parts of India, would experience a significant portion of retail transactions through organized retail, while in other parts of the country, traditional shops would still be dominant.[[21]](#endnote-21)

Organized retail players in India were constantly on the lookout for “adequately developed real estate, trained manpower, [efficient] logistics and supply chains and well placed legislation to support the growth of this ‘industry.’”[[22]](#endnote-22) The organized sector was at a cost disadvantage compared to its unorganized counterparts.[[23]](#endnote-23) Pharmacies or small entrepreneurs often did not pay taxes and employed child labour for home delivery and other such assistance. Even a law that dictated that pharmacies had to be air-conditioned was rarely observed. Every person on the payroll of an organized player had to be paid a salary and other benefits applicable under law. Thus, high expenses and low revenues were forcing many in the organized pharmaceutical retail sector to adopt hybrid business models in which a combination of ownership and franchise stores was used to survive in the competitive scenario.[[24]](#endnote-24)

Another model to emerge was the e-store model, through which consumers could order drugs online. The Indian government had been lax in regulating e-commerce functions in India, despite a pressing need for e‑commerce laws. One area that was clearly neglected was the regulation of online pharmacies that were blatantly ignoring Indian regulatory compliance rules. A dominant majority of Indian online pharmacies were run in an [illegal and unregulated manner](http://groundreport.com/online-pharmacies-are-operating-unregulated-in-india/). By 2014, many such pharmacies were already under the regulatory scanner. The Food and Drug Administration in the state of Maharashtra [raided 27 online pharmacies](http://ptlb.in/ccici/?p=426) in Mumbai. It also [ordered](http://www.financialexpress.com/article/industry/companies/maharashtra-fda-orders-filing-fir-against-snapdeal-ceo-kunal-bahl/68529/) the filing of First Information Reports against Snapdeal.com, an online marketplace based out of India, as well as its chief executive officer, directors, and distributors, for the online sale of prescription drugs in violation of Indian laws.[[25]](#endnote-25)

In addition to high costs, the organized pharmaceutical retail sector struggled with poor penetration in rural areas, which needed to be sorted out to make the sector more competitive. Other issues were the complex distribution structure and fragmented nature of the sector, which resulted in low revenues per store. The complex distribution structure—consisting of carrying and forwarding agents, wholesalers, stockists and sub-stockists—opened up several entry points for spurious and substandard drugs, and the general apathy to embrace technology made the problem worse. As pointed out by several experts, organized pharmacy retail chains going national required significant investment; as such, spreading their presence across various cities in India was a tough call. Retailing in this sector was not just about the front end, but involved complex supply chain and logistics issues as well.[[26]](#endnote-26)

In the organized pharmaceutical retail sector, the development periods were long, institutional funding was difficult, and there was little or no government support. The belief among top retail chains in the country was that the sector would see large investments coming once the current ban on foreign direct investment was lifted and joint ventureissues were resolved; however, that could be two to three years away. Being successful in organized pharmaceutical retailing in India essentially meant drawing shoppers away from the next-door mom-and-pop pharmacies to organized stores. This transition could be achieved to some extent through pricing, so the success of retailers depended on how well they understood and squeezed their supply chain. Other factors included providing value-added services such as home delivery and the availability of a range of health care products, equipment, and consultants. A major factor was convenience shopping, where organized stores had an edge over traditional pharmacy stores.[[27]](#endnote-27)

The Road Ahead

According to Garg, Guardian was in the consolidation stage (stage 2) in the three-stage lifecycle of a company: build, consolidate, and grow.

In the first stage, the focus had been on building the first 200 stores through the sheer brute strength of the people at Guardian, as everyone came together for concerted action and showed commitment in achieving the target.

Implementing the consolidation stage, in which about 300 stores would be added, would require painstaking effort, because it demanded strong systems to be in place to pull the organization together with a common sense of purpose. Supply chain issues were being given priority in this phase.

The third stage, in which another 500 stores were to be opened, would require the organization to build mature systems that were tried and tested to overcome the daily problems faced by start-ups. The role of senior management would be once again crucial in guiding the company through uncharted waters, as Guardian would expand in multiple regions in India. Strong commitment by the founder and top management was needed in implementing an expansion strategy of this magnitude. The focus of senior management would need a shift to managing the external environment well.

Growth through franchising and acquisitions was an area that Garg was closely looking at to maintain Guardian’s lead as one of India’s fastest-growing pharmacy retail chains. As pharma retail was taking the organized route in India,[[28]](#endnote-28) the opportunity to acquire and grow into a large chain was turning out to be a definite possibility. Though Guardian was one of India’s leading chains, there was little hype in the media about its success. As Garg aptly put it, creating hype had nothing to do with the resounding success of Guardian: “Let my stores do the talking, and let my customers be the judge.”

Exhibit 1: Guardian STORE LAYOUT

****

Source: Guardian Pharmacy.

Exhibit 2: PHARMACY RETAIL MARKET IN INDIA: DRIVERS, TRENDS, AND CHALLENGES

|  |  |  |
| --- | --- | --- |
| **Drivers** | **Trends** | **Challenges** |
| * Fast market growth (about 10–15% annually) * Increase in health care expenditure * Changing disease profile * Growth in the OTC segment * Changing consumer attitudes * Attractive margins | * Loyalty schemes offered by retailers * Provision of value-added services * Pharmacies selling health insurance plans * Tele-consultation services * Government’s entry into pharmaceutical retailing * Launch of pharmacy chains * Use of private labels * Growth in rural markets * Crackdown on counterfeit drugs | * High investment in capital assets * Highly fragmented nature of the industry * Growing menace of counterfeit drugs |

Note: OTC = Over-the-counter; OTC or non-prescription drugs could be dispensed without a doctor’s prescription.

Source: Adapted by the authors from Netscribes, Inc., “Market Research Report: Pharmacy Retail Market in India 2015,” SlideShare, July 28, 2015, accessed May 19, 2016, www.slideshare.net/ResearchOnIndia/pharmacy-retail-market-in-india-2015-sample.

Exhibit 3: KEY PLAYERS IN organized PHARMAceutical RETAILING

|  |
| --- |
| **Apollo Pharmacy**  Apollo Pharmacy was a subsidiary of Apollo Hospitals Enterprise Ltd. It was India’s first and largest branded pharmacy network, with over 1,500 stores across India. It was accredited with international quality certification. Applicants who fulfilled all the financial requirements and other qualifications as per the company’s franchisee qualification criteria could become a company franchisee. The retail chain provided ample training and support to all its franchisees.  **Fortis Healthworld**  Fortis Healthworld was promoted by Ranbaxy, one of the largest pharmaceutical companies in India. The chain operated both company-owned stores and franchisee-owned stores. In a bid to expand its market reach, the company was planning to set up more than 900 stores across the country by the end of 2012. A potential franchisee would need an area of about 500 square feet along with an investment of more than ₹5 million [approximately US$80,000] for each outlet. A franchisee could also provide added services like diagnostic facilities, free home delivery, and health care products, with additional investment.  **MedPlus Health Services**  MedPlus Health Services, with more than 980 stores, operated a growing chain of pharmacy stores throughout India. It also ran an online pharmacy, pathological labs, and optical services. MedPlus offered an excellent opportunity for entrepreneurs who were looking for low-cost franchise business. The company was seeking franchisees in the Tier 3 and Tier 4 cities across the country.  **Thulasi Pharmacies**  Thulasi Pharmacies, which was launched in 2001, had a presence in several cities across southern India, mainly in the state of Tamil Nadu. Thulasi had many firsts to its credit such as being the first to introduce spacious interiors, patient counselling, and its own label prescription medicines.  **98.4 Degree Pharmacy**  Established in 2002, 98.4 Degree Pharmacy was a brand of Global Healthline and operated about 28 stores in the Delhi/National Capital Region. With a franchise model in place, it was aiming to have as many as 200–300 stores by 2018.  **The Himalaya Drug Company**  Founded in 1930, the herbal health care giant had opened nearly 100 stores and had signed up with Reliance Retail of the Mukesh Ambani-controlled Reliance Industries, to set up its Himalaya Herbal Healthcare stores at new malls, hypermarkets, and supermarkets. |

Note: ₹ = INR = Indian rupee; US$1 = ₹61.905 on December 1, 2014.

Source: Compiled by the case authors from the respective company websites and Rita G. Chauhan, “Flight of Pharma Retail from Unorganised to Organised,” FranchiseIndia.com, November 2, 2012, accessed May 30, 2015, www.franchiseindia.com/articles/franchise-insights/franchise-trends/Flight-of-Pharma-retail-from-unorganised-to-organised-598.

****Exhibit 4: PHArMACEUTICAL ReTAILING—****COMPARIng RETAIL CHAINS

AND TRADITIONAL MEDICAL STORES

|  |  |  |
| --- | --- | --- |
|  | **Retail Chains** | **Traditional Stores** |
| **Billing** | Issued bills, ensuring the authenticity of medicines sold. | Did not generally issue bills, affecting the authenticity of medicines sold. |
| **Pharmacists** | Employed licensed pharmacists.  Generally had trained doctors associated with them and thus could provide reliable advice to customers as well as the benefit of doctor-endorsed substitution, if prescribed medicines were unavailable. | Rarely employed licensed pharmacists.  Rarely had associations with doctors, often resulting in self-substitution in the absence of prescribed medicines. |
| **Working Capital** | Had adequate working capital to keep enough stock of medicines.  Generally offered 24-hour service.  Could invest in IT systems. | Had limited finance, restricting stock.  Lacked resources to make investment in IT infrastructure. |

Note: IT = information technology

Source: Adapted by the authors from Netscribes, Inc., “Market Research Report: Pharmacy Retail Market in India 2013,” SlideShare, May 8, 2013, accessed May 19, 2015, https://www.slideshare.net/ResearchOnIndia/pharmacy-retail-market-in-india-2013-sample.

****Exhibit 5: GUARDIAN LIFECARE’s VALUE PROPOSITION****

Source: Created by the case authors.

Exhibit 6: WHAT UPSETS A CUSTOMER

|  |
| --- |
| * Not meeting commitments * Poor service * Arrogance * Passing the buck (not taking responsibility) * Questioning a customer’s intelligence * Arguing with a customer |

Source: Ashutosh Garg, *The Buck Stops Here: Learnings of a #Startup Entrepreneur* (New Delhi: Rupa Publications, 2014).

endnotes

1. Customer centricity was about creating a positive customer experience at the point of sale and post-sale. “Customer-centric,” BusinessDictionary.com, accessed March 21, 2016, www.businessdictionary.com/definition/customer-centric.html. [↑](#endnote-ref-1)
2. *Hindustan Times* was an Indian daily newspaper published in English, while *Dainik Jagran* was the most-read Indian Hindi-language daily newspaper. [↑](#endnote-ref-2)
3. This power imbalance had given rise to a severe form of a principal (patient)–agent (doctor) problem in health care markets worldwide, particularly in the health insurance sector. [↑](#endnote-ref-3)
4. The value chain consisted of the full range of activities required to bring a product or service from conception through the different phases of production, delivery to final customers, and final disposal after use. [↑](#endnote-ref-4)
5. The managed care model had seen huge growth in the U.S. pharmaceutical industry, with an estimated 85 per cent of all prescription drugs now reimbursed through a managed care plan. Partha Anbil, “Managed Markets: Positioning Your Product for Success with Pull Through Strategies,” *Pharmaceutical Executive*,February 1, 2014, accessed October 20, 2016, www.pharmexec.com/managed-markets-positioning-your-product-success-pull-through-strategies. [↑](#endnote-ref-5)
6. “Indian Pharmaceutical Industry,” India Brand Equity Foundation, accessed May 25, 2016, www.ibef.org/industry/pharmaceutical-india.aspx. [↑](#endnote-ref-6)
7. Confederation of India Industry and Pharma Summit 2012: *India Pharma Inc.: Gearing up for the Next Level of Growth* (PricewaterhouseCoopers Private Limited), accessed May 2, 2015, www.pwc.in/en\_IN/in/assets/pdfs/pharma/pharma-summit-report-31-10-12.pdf. [↑](#endnote-ref-7)
8. All currency amounts are in US$ unless otherwise specified; US$1 = ₹61.905 on December 1, 2014; ₹ = INR = Indian rupee. [↑](#endnote-ref-8)
9. India Brand Equity Foundation, op. cit. [↑](#endnote-ref-9)
10. Ibid. [↑](#endnote-ref-10)
11. Guru Prasad Mohanta, Anjan Kumar Mohanty, and P. K. Manna, “FDI in Pharma Retailing—a Bane or Boon for Pharmacy Profession!” Pharmabiz.com, March 20, 2013, accessed May 10, 2015, www.pharmabiz.com/NewsDetails.aspx?aid=74388&sid=9. [↑](#endnote-ref-11)
12. Neetu Chandra, “Is Your Medicine a Fake? Government Report Warns Counterfeit Drugs Are Flooding India,” *MailOnline India*, March 5, 2014, accessed May 20, 2015, www.dailymail.co.uk/indiahome/indianews/article-2573236/Sub-standard-fake-medicines-flood-nation-warns-government-report.html. [↑](#endnote-ref-12)
13. Rita G. Chauhan, “Flight of Pharma Retail from Unorganised to Organised,” FranchiseIndia.com, November 2, 2012, accessed May 30, 2015, www.franchiseindia.com/articles/franchise-insights/franchise-trends/Flight-of-Pharma-retail-from-unorganised-to-organised-598. [↑](#endnote-ref-13)
14. Pallavi Majha, “Pharmacy Retail Attracting Robust Returns,” Indian Retailer, October 2006, accessed May 19, 2015, www.indianretailer.com/magazine/2006/october/Pharmacy-retail-attracting-robust-returns\_5-2-5. [↑](#endnote-ref-14)
15. Ibid. [↑](#endnote-ref-15)
16. Confederation of India Industry and Pharma Summit 2012, op. cit. [↑](#endnote-ref-16)
17. Majha, op. cit. [↑](#endnote-ref-17)
18. “Pharma Retail Chains in India—Time to Change the Way You Buy Medicines?” Brand India Pharma, May 29, 2013, accessed May 19, 2015, www.brandindiapharma.in/pharmaceutical-industry-trends/pharma-retail-chains-in-india-time-to-change-the-way-you-buy-medicines. [↑](#endnote-ref-18)
19. Ashutosh Garg, *The Buck Stops Here: Learnings of a #Startup Entrepreneur* (New Delhi: Rupa Publications, 2014). [↑](#endnote-ref-19)
20. “Customer Experience Management: What It Is and Why It Matters,” SAS, accessed May 19, 2015, www.sas.com/en\_us/insights/marketing/customer-experience-management.html. [↑](#endnote-ref-20)
21. Mrinalini Shah and Sumi Jha, “Emergence of Organized Pharmacy Retail in India: Challenges and Opportunity,” *Journal of Business and Retail Management Research* 2, no. 1 (2007), accessed May 29, 2015, www.jbrmr.com/admin/content/doc/i-10\_c-65.doc. [↑](#endnote-ref-21)
22. Ibid. [↑](#endnote-ref-22)
23. Ashutosh Garg, op. cit. [↑](#endnote-ref-23)
24. Shah and Jha, op. cit. [↑](#endnote-ref-24)
25. “Maha FDA Orders Filing of FIR against Snapdeal CEO Kunal Bahl; Scanner on Flipkart, Amazon,” *Financial Express*, May 1, 2015, accessed May 19, 2015, www.financialexpress.com/article/industry/companies/maharashtra-fda-orders-filing-fir-against-snapdeal-ceo-kunal-bahl/68529. [↑](#endnote-ref-25)
26. Shah and Jha, op. cit. [↑](#endnote-ref-26)
27. Ibid. [↑](#endnote-ref-27)
28. Rita G. Chauhan, op. cit. [↑](#endnote-ref-28)