



# Invictus

**Indian Institute of Technology Kharagpur**

North East Case Challenge 2019

# Agenda

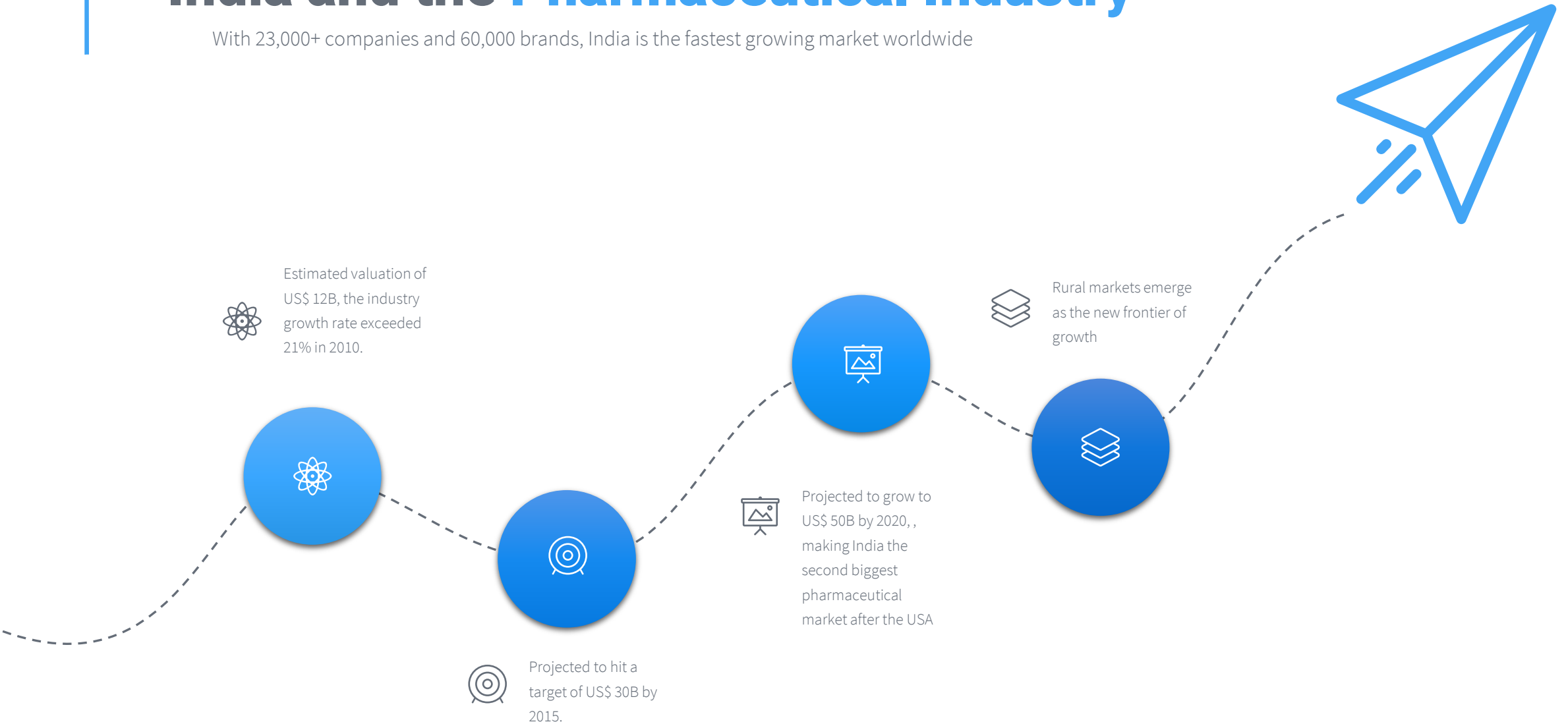




# **The Indian Pharmaceutical Market**

# India and the **Pharmaceutical Industry**

With 23,000+ companies and 60,000 brands, India is the fastest growing market worldwide

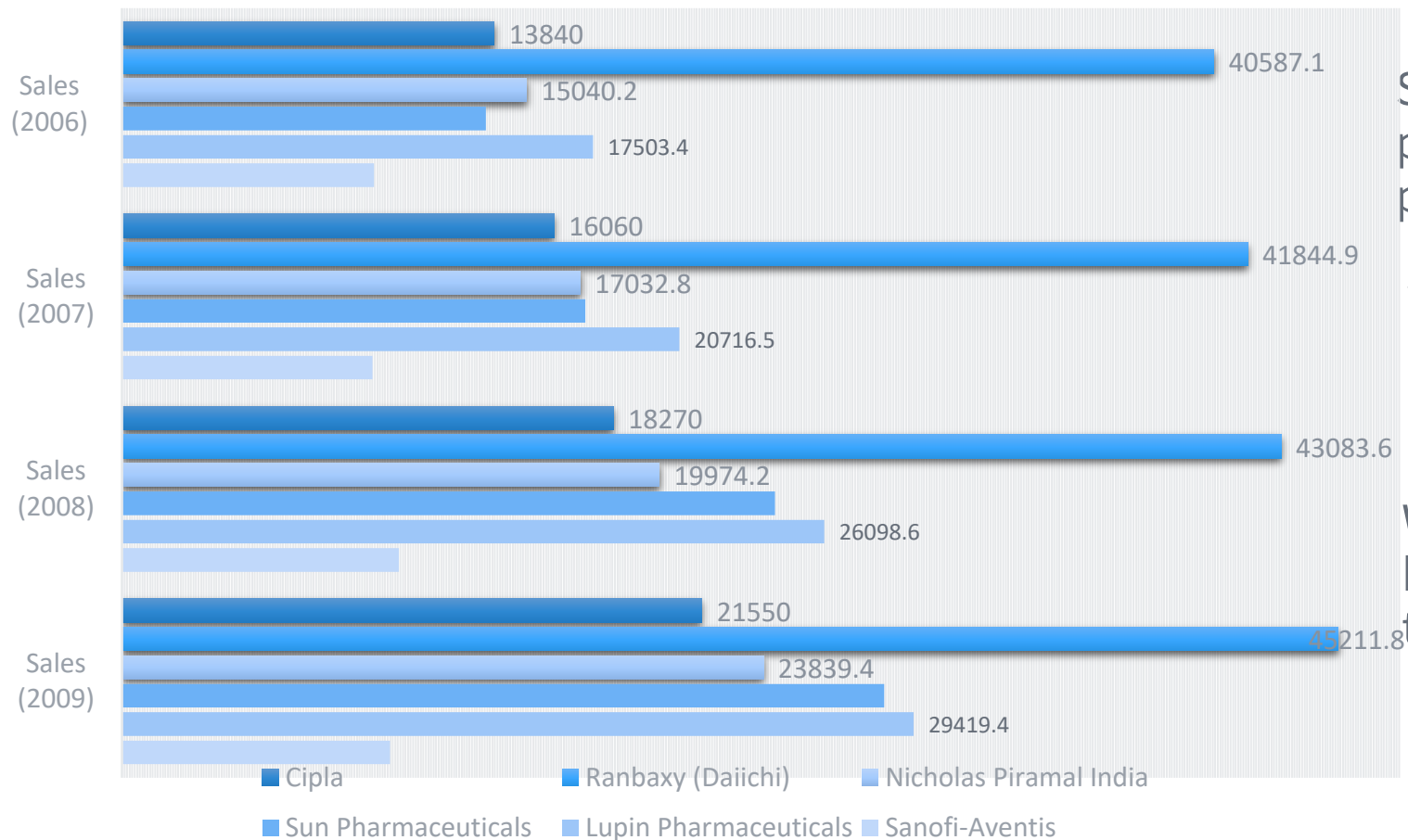




# **Competitive Positioning of Sanofi-Aventis and Prayas**

# Sanofi-Aventis: Competitive Positioning

Despite its significant market share in niche tier 1 markets, Sanofi-Aventis has not performed well in the overall pharmaceutical market



Sanofi-Aventis held a robust competitive position in Tier 1 markets, while performing poorly in the overall market.

To improve the company's soft competitive positioning, Sanofi-Aventis became eager to strengthen their position by serving the untapped consumer base, known as bottom of the pyramid (BoP) markets.

With the growth of rural markets, the BoP became an ideal market for Sanofi to expand to.

# Prayas: an initiative to expand into **BoP** markets



Careful structuring, involving KOLs, mentors, mentees and ultimate beneficiaries



Providing mentors opportunities to network and collaborate



Facilitation of CMEs in various therapy areas, strengthening diagnosis and treatment

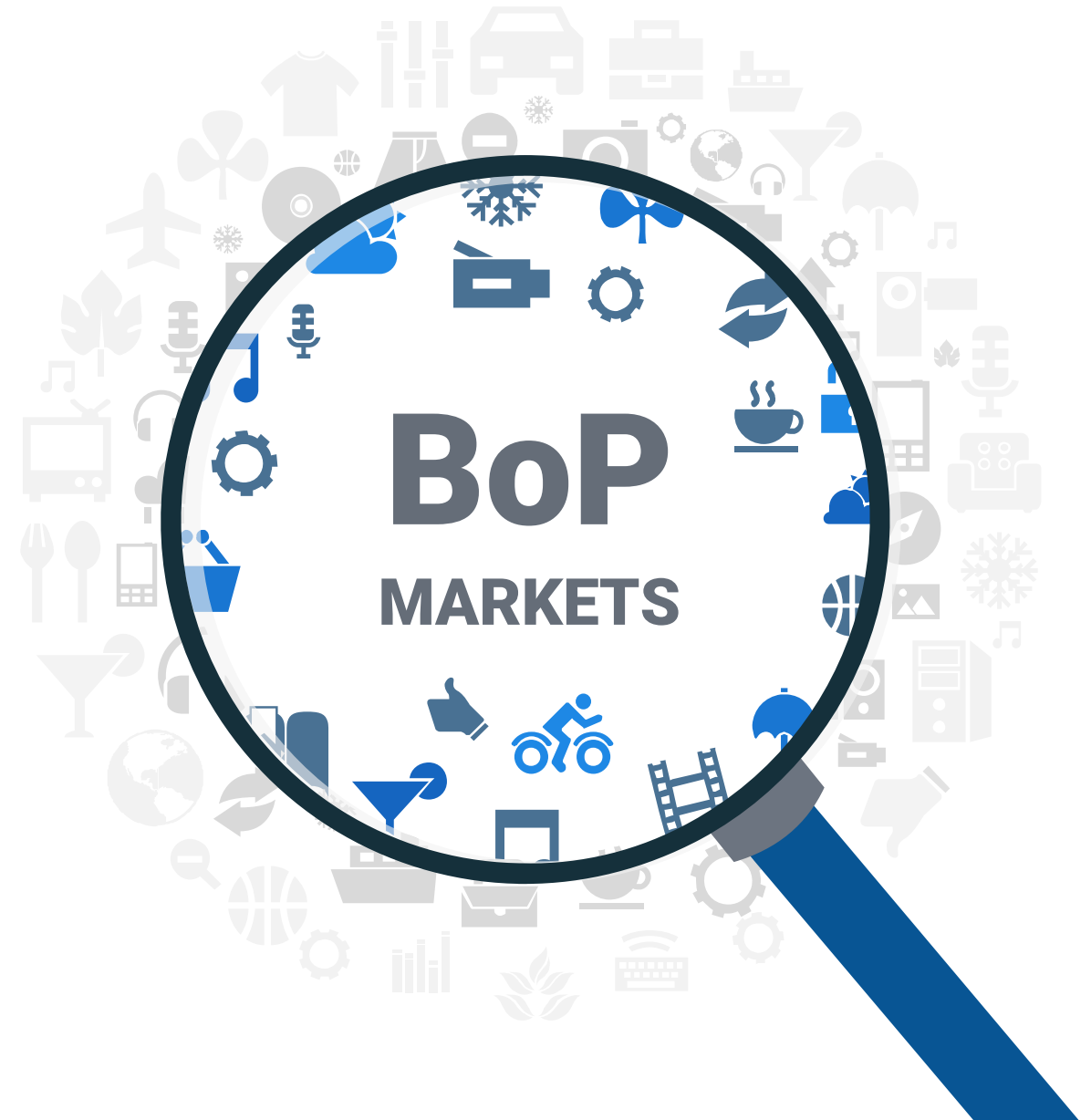


Emphasis on unbiased nature of medical knowledge led to increased trust

**Hence, Prayas created a structured win-win situation for all the members involved**

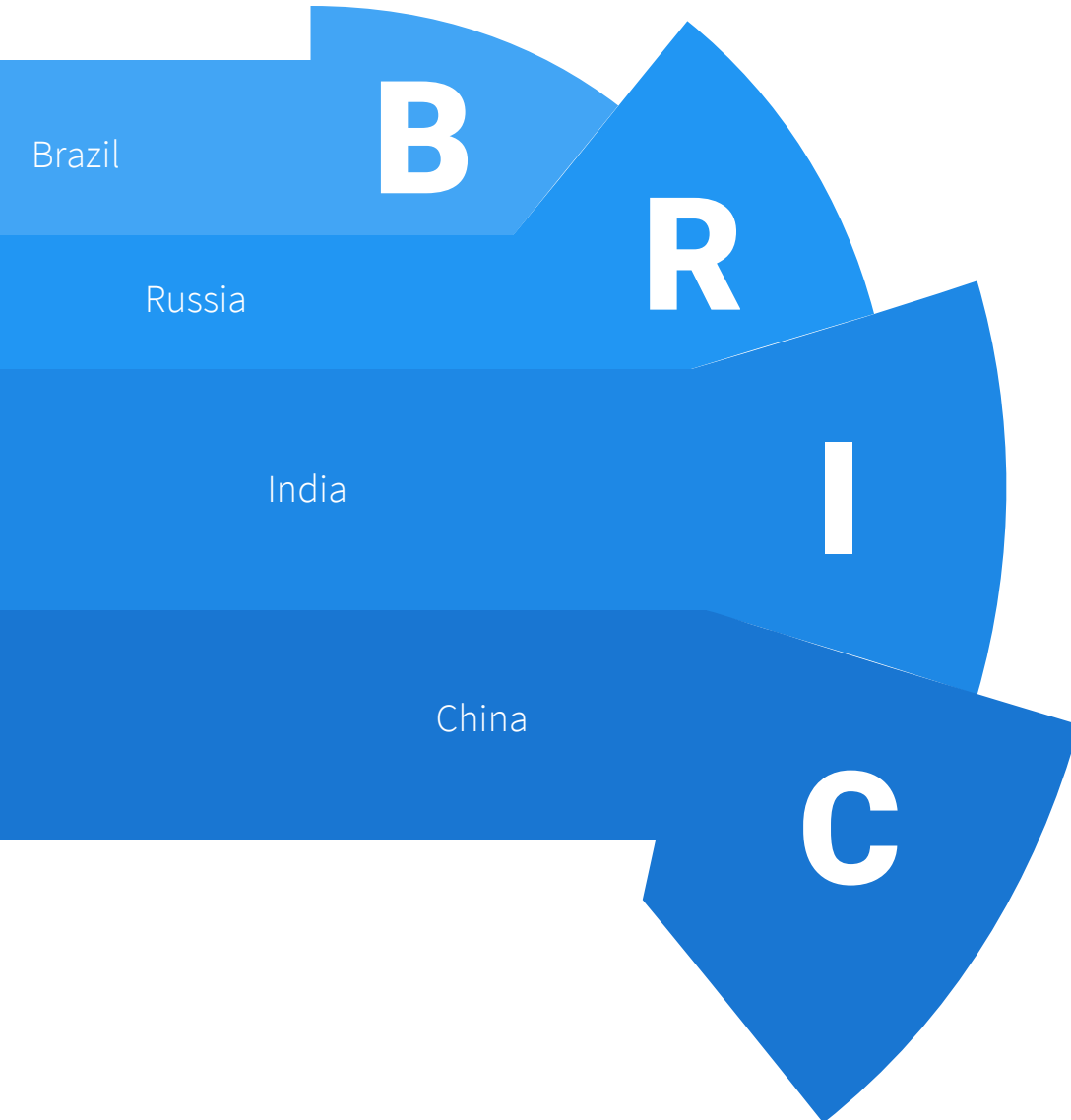
Why have the BoP markets in developing countries such as India emerged as important market for large pharmaceutical companies such as Sanofi-Aventis?

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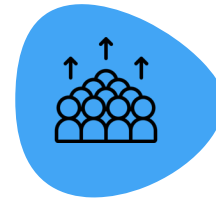




# Market Trends in **Developing Countries**



Sales of the pharmaceutical markets in BRIC and MIST countries doubled in 5 years, reaching a market share of approximately 20%. – **Jim O’Neil, retired chairman of asset management at Goldman Sachs**



Large Populations

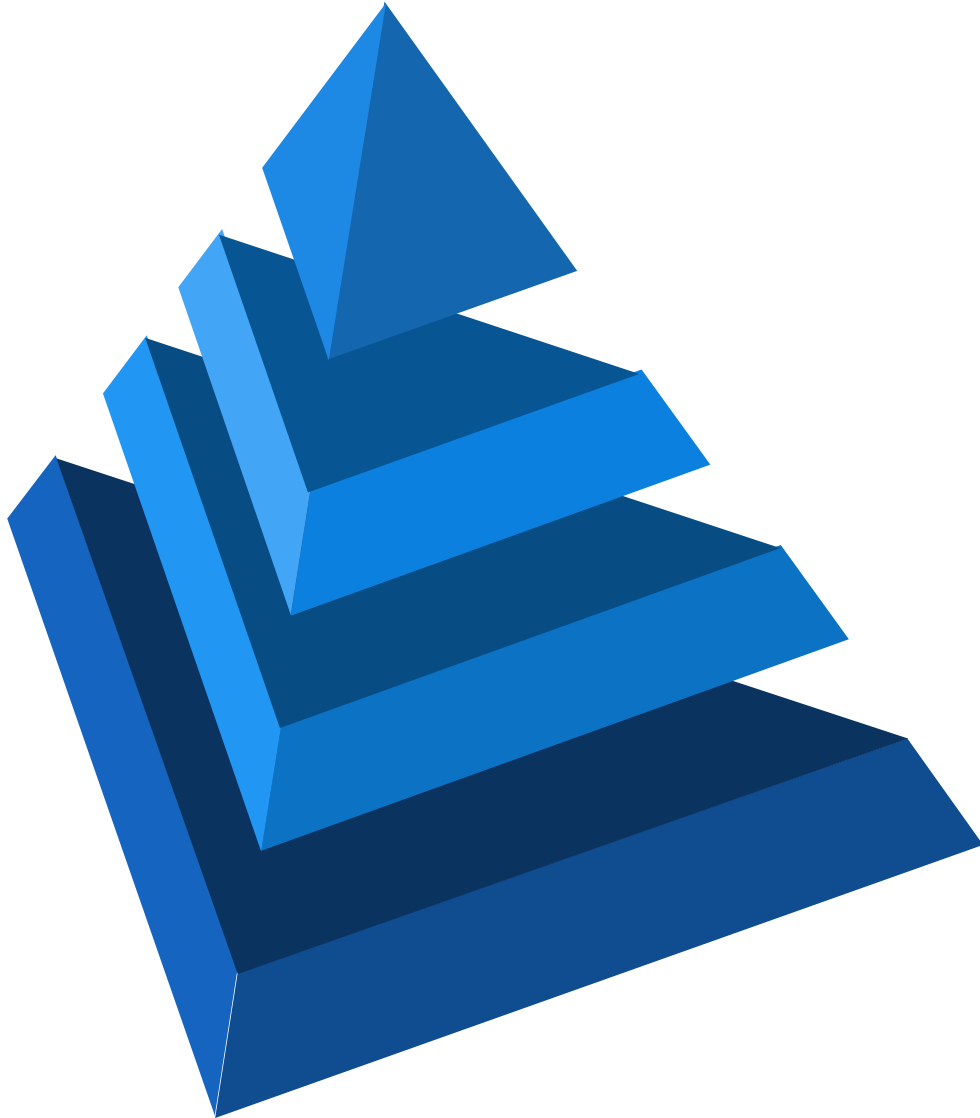


Growing Prosperity



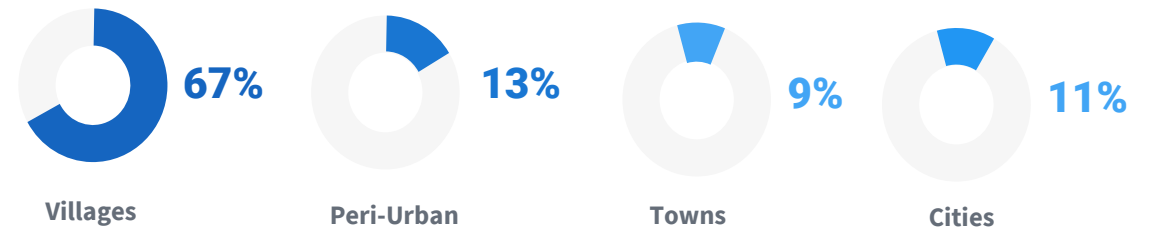
Increasing Life  
Expectancy Rate

# All India Population **City/Town-wise**



## Large *untapped* market *opportunities*

The rural population of India was widely dispersed across nearly 6,00,000 villages and there were only 20,000 operational primary healthcare centers in various states.



Source: Confederation of Indian Industries-Pricewaterhouse Coopers Report

# Growth in Rural markets

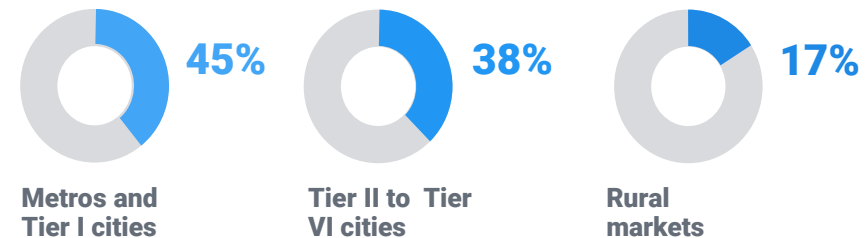
72.2.% of India's population lives in rural areas, providing an untapped opportunity for pharmaceutical companies



## Factors leading to *growth* in Rural Markets:

- Rising Income levels
- Growing patient base
- Improvement in healthcare infrastructure
- Wider health insurance coverage

Contribution to the industry revenue from the following markets:



# Government Policies for BoP

Government reforms and policies largely influence growth of any industry.

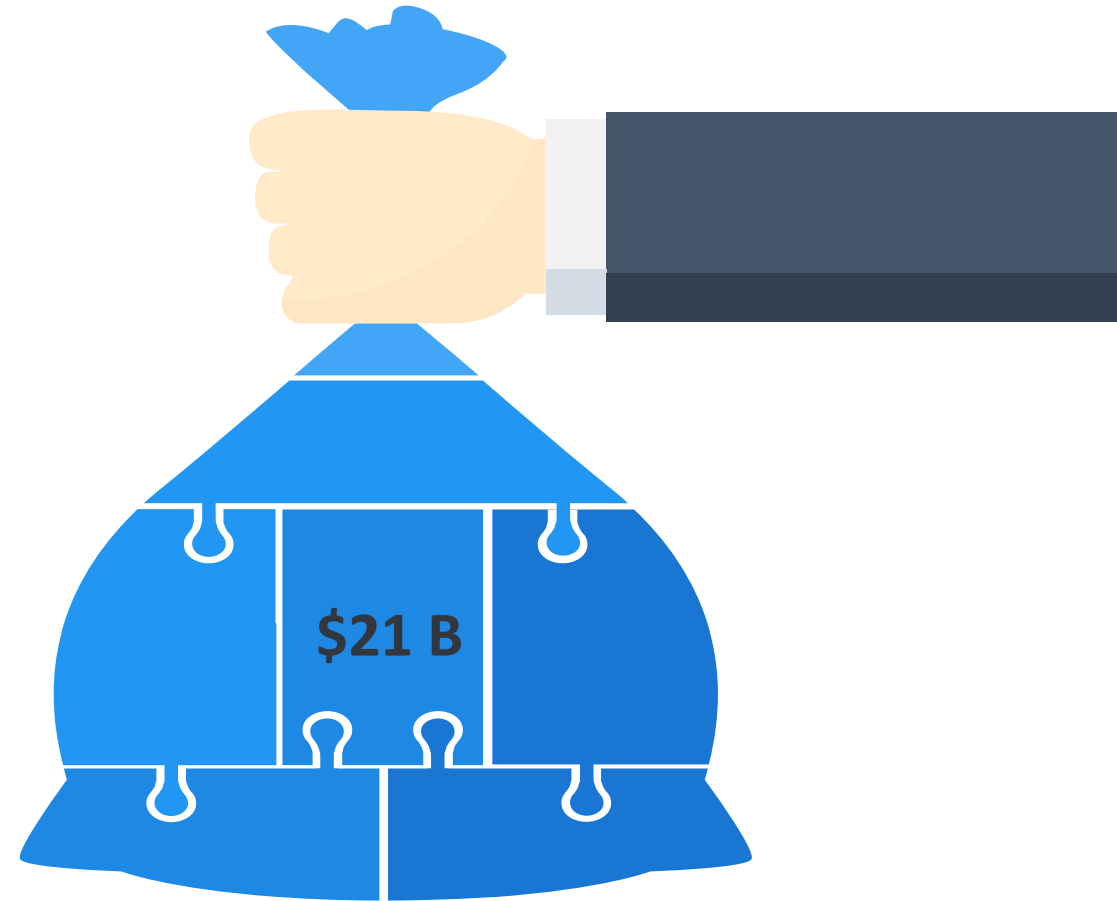


A total of 21 billion USD invested (2005–2015) by the central government

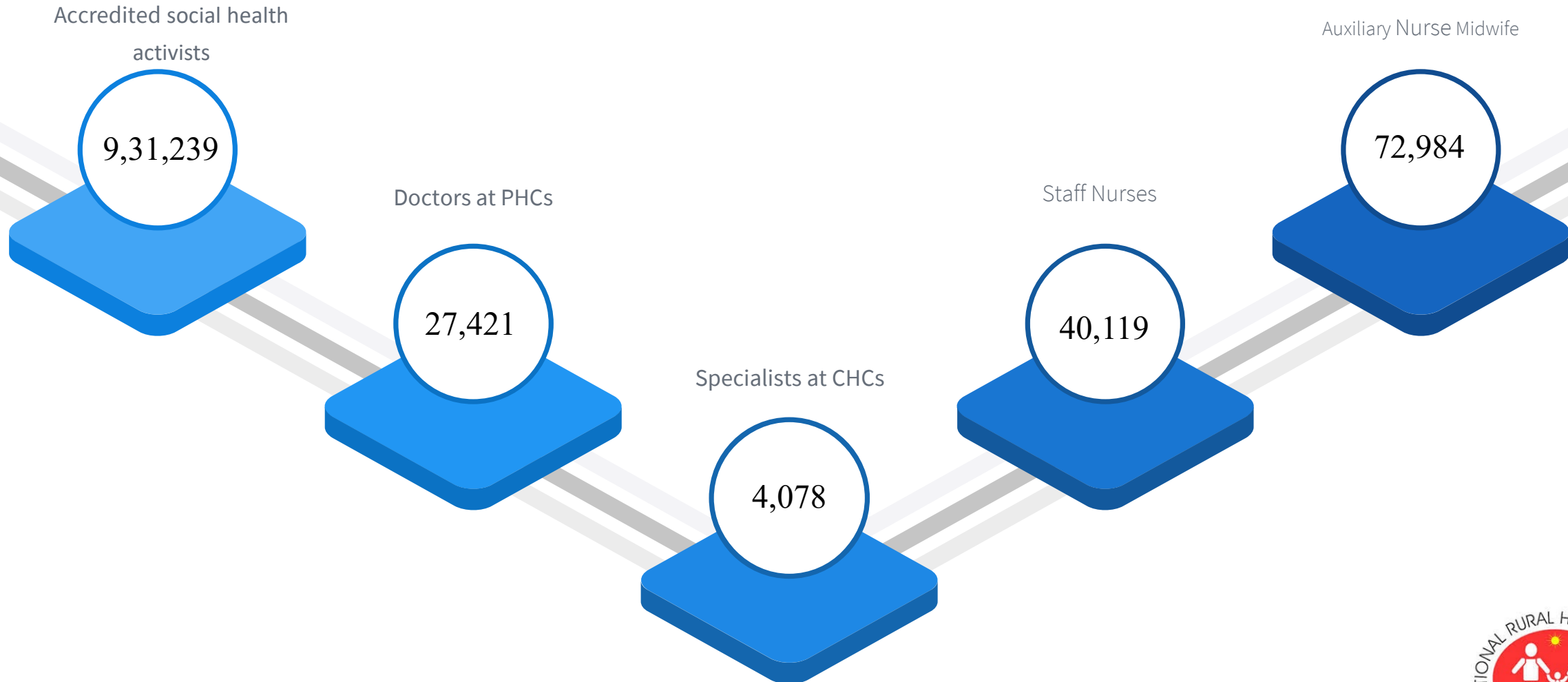


## Government Reforms and Policies

- ❖ National Rural Health Mission
- ❖ Rastriya Swastika Bima Yojana (RSBY)
- ❖ Universal Health Insurance Scheme (UHIS)



# Glimpses of activities under the National Rural Health Mission (2005-2013)



Source: Adapted from Quarterly NRHM MIS reports: National Executive Summary and Rural Health Statistics



# **Sanofi-Aventis and its expansion into the rural market**

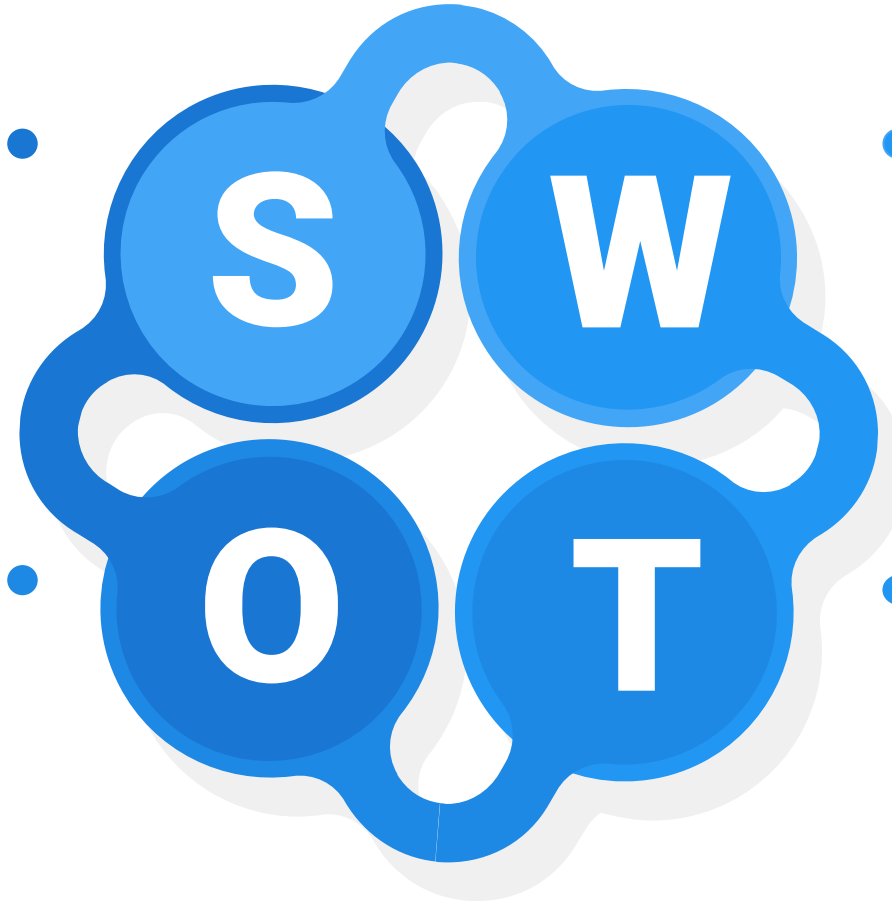
# Should *Sanofi-Aventis* Enter *Rural Market* ?

## Strengths

- Robust Competitive position in Tier 1 market across country holding 8<sup>th</sup> position.
- Significant market share in niche Therapy areas..

## Opportunities

- Rural Market in India constituted 40% of total market and presented untapped opportunities for Pharma companies.
- 72.2% of India's total population lived in rural areas.



## Weaknesses

- Sanofi-Aventis was not among top 10 companies in overall pharmaceutical market.
- None of Sanofi-Aventis brands featured in top 20 selling brands in market.

## Threats

- If not Sanofi-Aventis its competitors like Novartis, Pfizer are aligned to have a big bite of the untapped market.
- This will lead to further downfall of Sanofi-Aventis in market share.

# Formulating the **Business Model**



## **5 Doctors per 1,00,000**

Thus by targeting lower number of doctors they could target a larger customer base.



## **Use of KOL, Mentor & Mentees**

This system created win-win situation for all and kind of gratitude in the mentees and it is where business link came in for co.



## **3<sup>rd</sup> Party**

### **Manufacturers**

To Produce affordable drugs the company decided to use 3<sup>rd</sup> party manufacturers, this also increased cost efficiencies.



## **Gap in Knowledge Infra**

Receiving symptomatic treatment caused recurrence of diseases causing greater economic burden on individual.



## **Use of Cluster Stockist**

By using this method a very larger root level distribution system was formed..



## **Using the Hoechst Legacy**

This brand enjoyed the respect and patronage of the doctors.





# **An investigation into the product portfolio of Sanofi-Aventis**

# Re-evaluating Product Mix

Re-evaluation of product mix for Sanofi-Aventis: Focusing on acute care segment Vs Expanding to chronic care segment

## Continuing with Acute Care Segment

### Pros



- 1) The brand is trusted in the market for acute care drugs due to Quasi-OTC brands like Combiflam and Soframycin.
- 2) Research showed clear domination of acute care segment in low tier markets. .

### Cons



- 1) Company's in house manufacturing was not suitable for producing low cost drugs.

## Expanding to Chronic Care Segment

### Pros

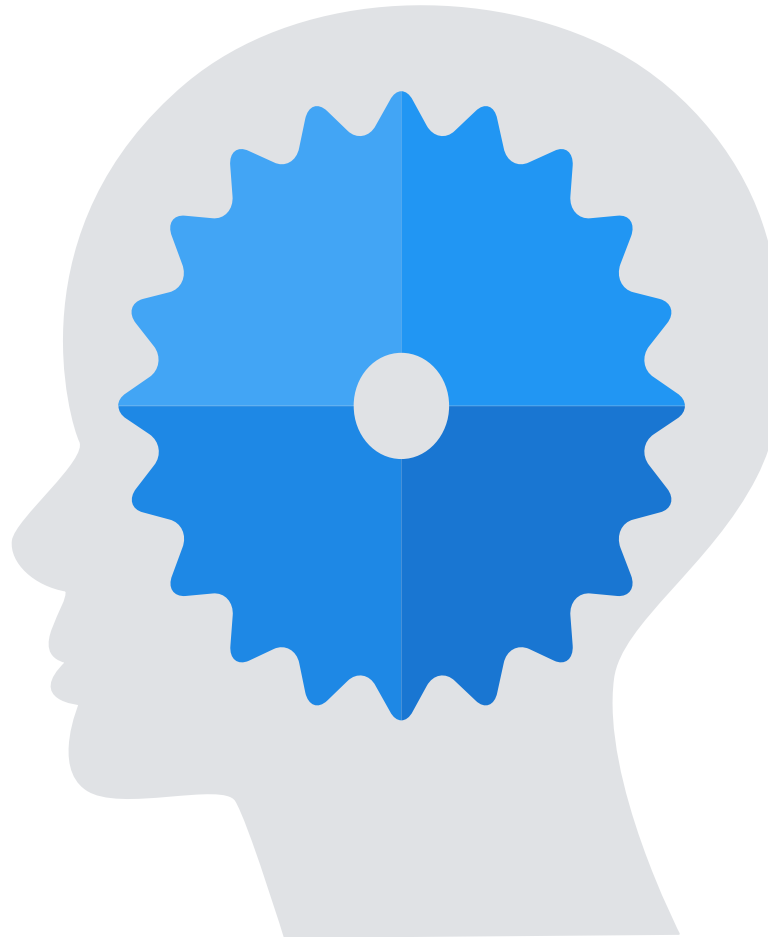


- 1) Global presence as a diversified healthcare company in chronic care sector
- 2) Sanofi-Aventis showed very high growth in the segment of diabetes in Tier-1 market of India.

### Cons



- 1) Prevalence of symptom based treatment instead of going for check ups.



# We Suggest **Don't Expand**

It's what the numbers say, not us



## **Tough rural Chronic care market**

Relative Contribution across major therapy areas

In Exhibit 15, we see trends across the various pharmaceutical companies the contribution across major therapy areas. It is evident that other companies have major revenue from acute segment only.



## **Not Enough Scope for Profit**

The fruit is not worth the effort needed

From Exhibit 6, we know that Chronic therapies just contribute 10-20% of the BoP Market. The local competition is high and we have shortage of field force



## **Facing new competition**

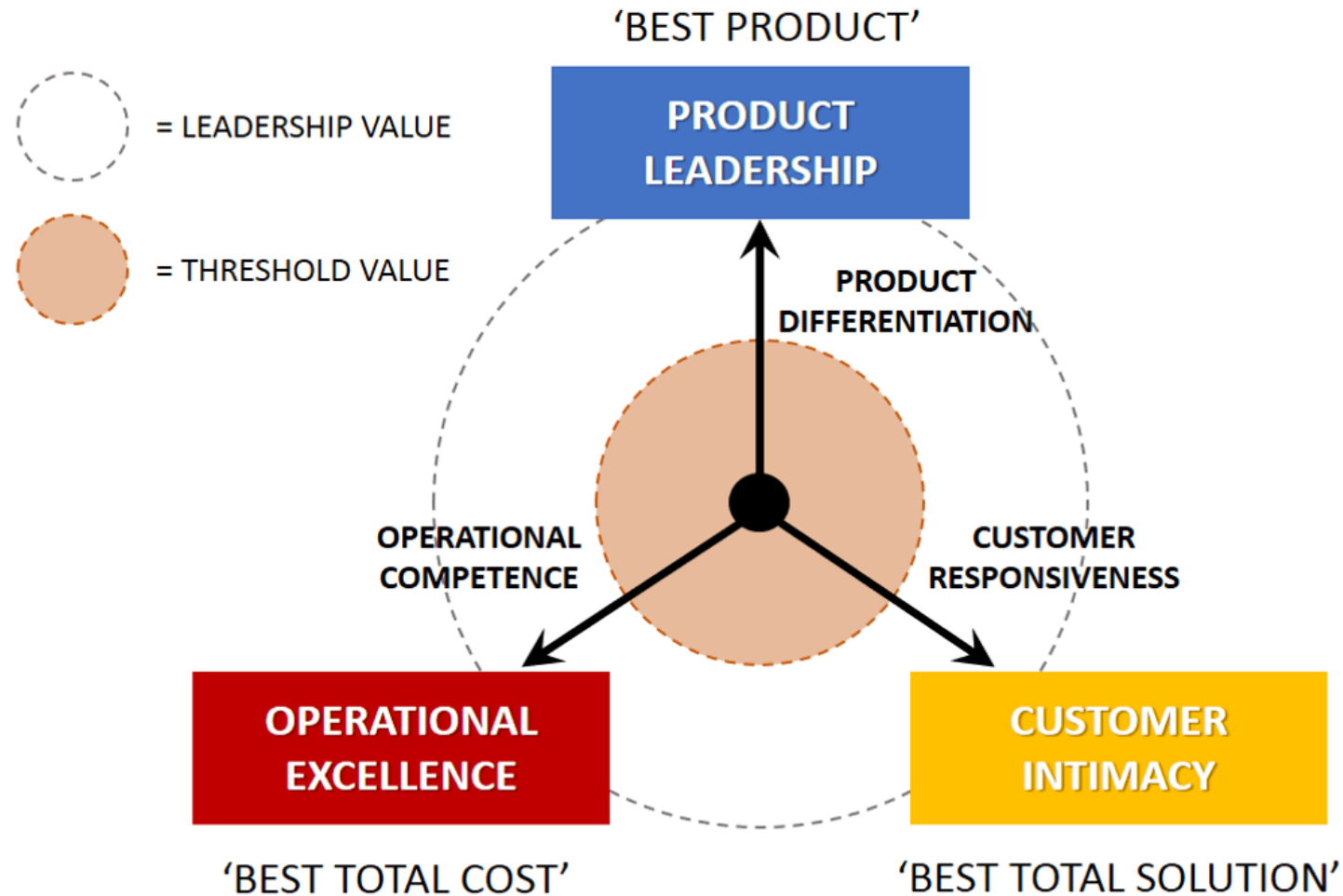
Will the team be able to manage extra competition?

Chronic care segment is promising for the long run. But facing competition from two different sets of pharmaceutical companies will not be easy for the Prayas team



# Treacy and Wiersema's Value Disciplines

The value disciplines framework says that companies should have a clear focus in what they want to be known for and what they want to excel in





# **Lessons learnt from the implementation of Prayas**

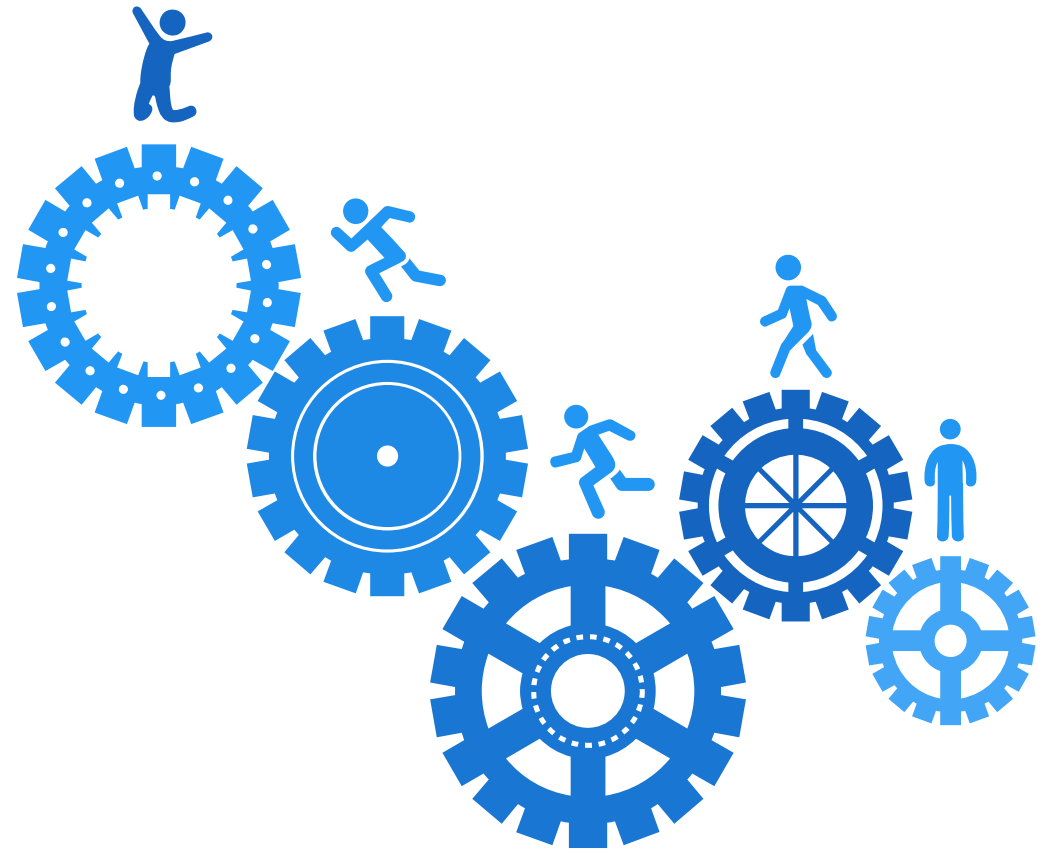
# Impact of a social business model

Prayas successfully combines profit and purpose-oriented goals with its social business model

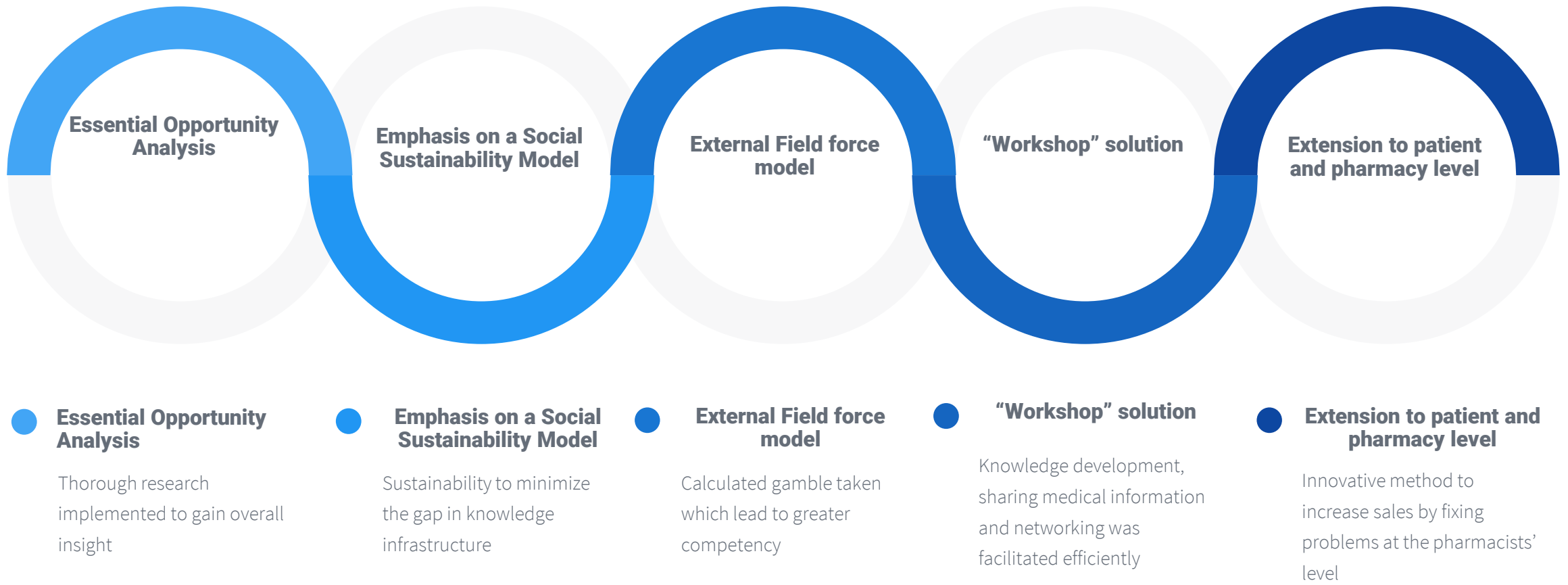
Social enterprises are currently on the rise, as we see a greater importance being given to social capital

(2018 Deloitte Global Human Capital Trends report)

Prayas is a healthcare initiative with the overall goal of making quality healthcare accessible to the BoP market. This combines both profit goals and social enterprising.



# Prayas: Positive Takeaways and Lessons learnt



# Prayas: Notes for Improvement



## **Commercial feasibility unproven**

Resources and Capital investment will be required for initiative extension



## **Tackling competition**

Multiple companies chose to leverage CME approach



## **Retention of sales force**

After Prayas's success, sales staff became a poaching target



## **Dense local competition**

Competing with local firms who indulge in unethical promotional practices



## **Digital Interface**

Long and expensive, requiring infrastructure in BoP markets



## **Chronic disease treatment**

Failure in combating both acute and chronic diseases



# Prayas: Targeting Rural Consumers



Facilitation of unbiased knowledge development



Addressing the different strata within rural markets



Immersive promotional initiatives



Grassroots – level research



Emphasis on product manufacturing costs



Social enterprises increase trust

# Team Invictus

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# Thank You!

It has been a **great** learning *experience*