

Analysis presented as a part of Cipla's Business Case Competition - Ascend

# Spearheading Cipla's business in the new India



Name of Members	Past Experiences
Ronak Borana	Consultant, George Institute for Global Health
Priy Devvrat Singh	Scientist, Indian Space Research Organisation (ISRO)
Team name: Cultural Bacteria; First year MBA, XLRI (Jamshedpur)	

# Identification of new markets and stakeholders for Cipla

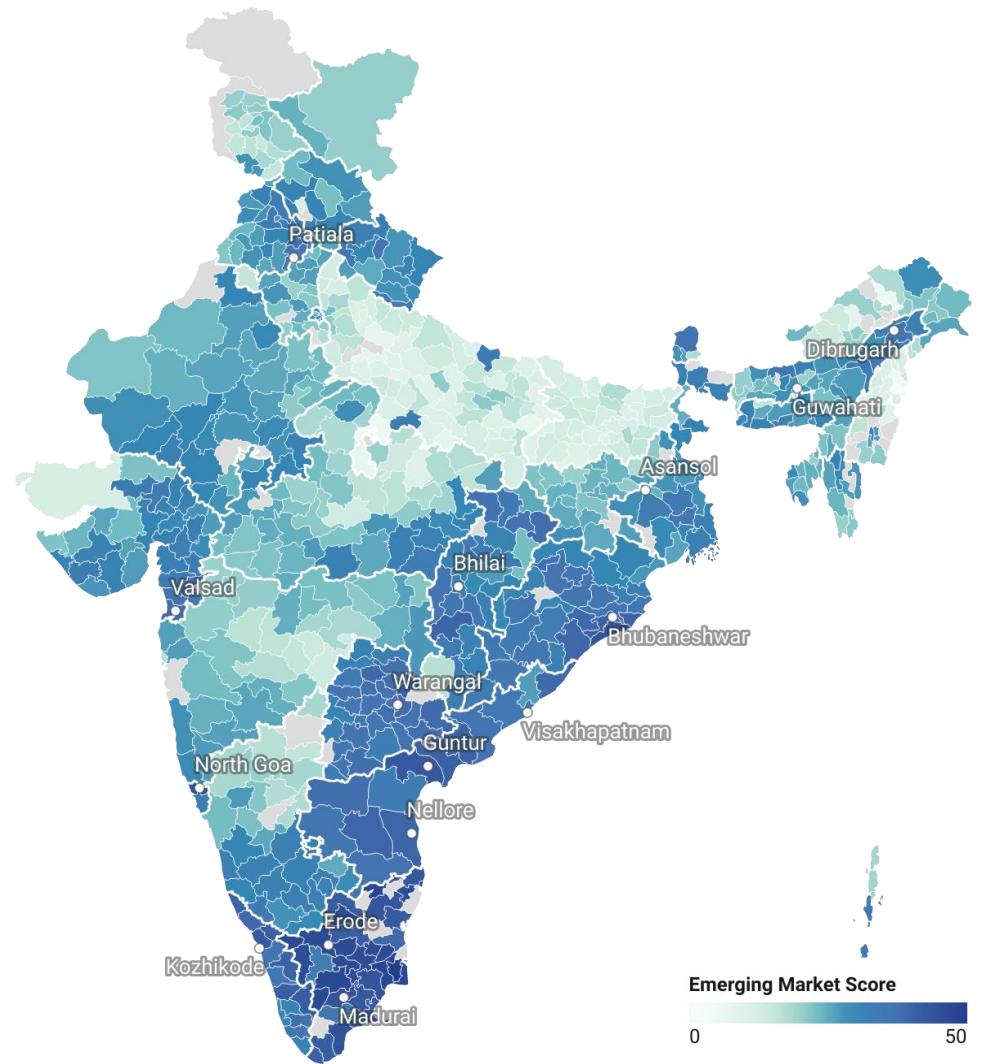
**Emerging Markets Score (EMS):** We developed a mathematical model using 16 government health indicators for each district & matched them with Cipla’s product portfolio to identify new markets in non urban geographical regions. **Each district has a score from 0-50, higher score (darker shade in map) indicating more potential for existing Cipla products**

Inputs	Math
<p><u>Input parameters:</u> 16 health indicators</p> <p><u>Source:</u> GOI’s largest survey: National Health and Family Survey (n= 6 lakh households)</p> <p><u>Time period:</u> 2021-2022</p>	<p><u>Weights:</u> the weights in the model are based on Cipla’s areas of interest</p> <p><u>Rationale:</u> Used disease prevalence &amp; health spending to segment new markets</p> <p><u>Data:</u> Linked below</p>
Outputs	EMS 2.0
<p><u>EMS:</u> Aggregated score ranging from 0-50 for each district based on its potential</p> <p><u>Adapted EMS:</u> EMS customised for inhalers would give higher weights to respiratory indicators and highlight markets like Ghaziabad</p>	<p><u>Machine Learning EMS:</u> Historic data from NHFS 1-4 can be matched with Cipla’s proprietary</p> <p><u>Real world EMS:</u> Since EMS is based on proxies, it can be modified give more weights to real time inputs</p>

Dynamic version of this map is available [here](#). Raw data & the math model for EMS is available [here](#).

## Emerging Market Scores to identify Cipla's target districts

EMS for each district is derived from its 16 health indicators weighted with Cipla's existing product portfolio. Higher score indicates better market opportunities for Cipla



Map: Ronak Borana, XLRI • Source: NFHS-5 (Gov of India) • Created with Datawrapper

# Testing recommendations with Cipla's stakeholders

**Identifying stakeholders:** Before thinking of recommendations, we had to find a benchmark to evaluate our suggestions. We used the annual reports to identify the following Cipla's key stakeholders. Next, we assessed the impact of our recommendations on these stakeholders and tweaked them to ensure consistency and synergy between existing programs and Cipla's aspirations.

Following are Cipla's sales, marketing and distribution stakeholders:

## Patients & Consumers

Final users of products; max share in revenue; provides direct feedback

## Channel Partners

Backbone of supply & distribution; access to new geographies; ↑ awareness

## Healthcare Professionals

Prescribe: indirect share in sales; provide info on market & patient needs

## Communities

Brand awareness; develop business ecosystem & SDG; are future consumers

## Institutional & Gov

NGOs, gov & program procurement; ↑ volume; saves retail margin

Note: In this analysis, we are only focusing on the first 4 stakeholder. Gov. and other such partners typically have different sales channels & strategies

## Case: Stakeholder evaluation of the strategy for the growth of the diabetes vertical in tier 2+ markets

Based on Cipla's low market share, high growth and recent partnership with Eli Lilly's Humalog & Trulicity, we illustrate **Cipla 4 India** to expand its diabetes portfolio in tier 2+ cities.

Sponsored health camps in districts with high EMS diabetes burden can first increase the consumer base. Next, educating doctors about Cipla's superior products can then increase prescription. EY's primary survey, of tier 2 and tier 3 cities' doctors shows that physicians have to prescribe as per availability of the products with the local pharmacy. Therefore e-pharmacy & better stocking via credit policy for local retailers can ensure the eventual sale of Cipla's diabetes products

## Cipla's market share across key therapy areas

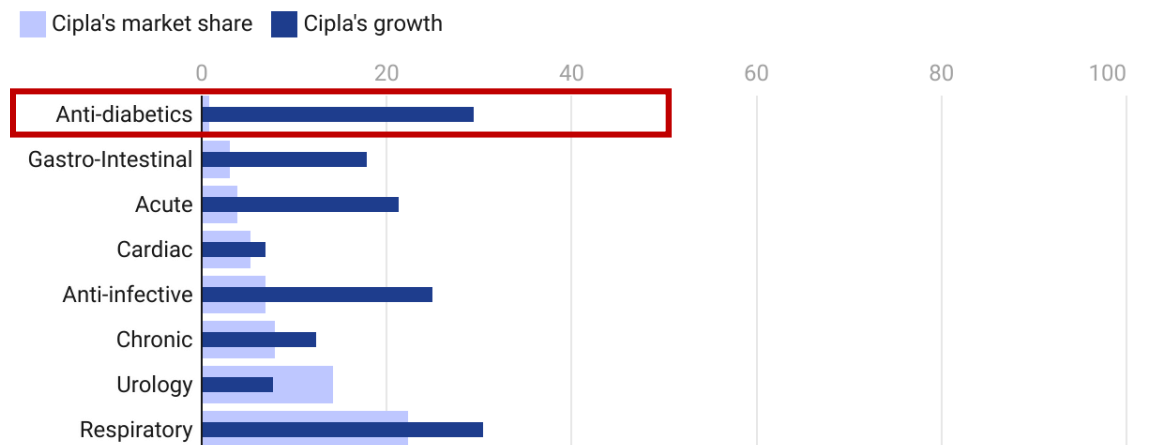


Chart: Ronak Borana, XLRI • Source: Cipla's Annual Report 21 • Created with Datawrapper

# Cipla 4 India: Recommendations 1

The tier 2+ and rural market make up around 80% of India. This market cannot be cracked by a single intervention. Hence we present a range of targeted interventions, that can be bundled together to address the multifaceted challenges of penetrating the tier 2+ market. We have aggregated all these interventions together in a model we call **Cipla 4 India**. Interventions involved in these program are detailed and justified against product and stakeholder needs to ensure that our suggestions are end to end and holistic

## Patients and Consumers

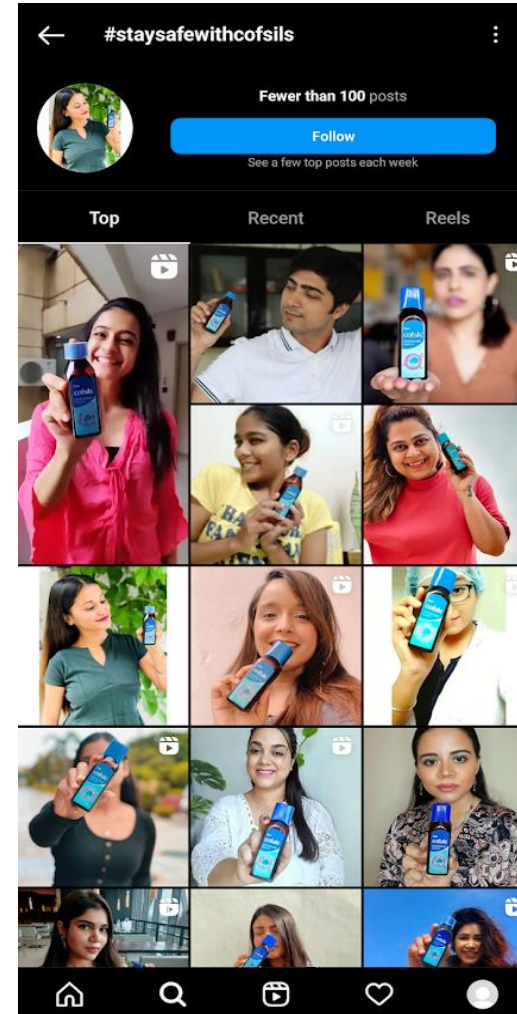
**Tele medicine:** Covid has highlighted the significance of tele consulting. Cipla could invest and collaborate with tele health players like Apollo, Practo, 1mg etc to increase healthcare access in rural India. Such tele-HCPs trained about Cipla's offerings will eventually increase sales via new prescriptions

**Marketing OTC:** Cipla's wide range of OTC products ranging from Nictoex to Cofsils can be marketed in the tier 2+ areas using targeted online ads and influencers. Penetration of internet in these areas presents an interesting opportunity to market OTC like FMCG products, relying on quirky ads

## Communities

**Health camps:** Organising medical camps not just increases brand awareness, but also directly serves the community and the larger public health goal of preventive health care in rural and other disadvantaged areas

**Targeted programs:** Novartis's Arogya Parivar launched in 2007, increased their sales by 300 times in 10 years and the program achieved break even within 30 months of launch. Cipla should launch similar targeted programs that boosts its sales along with serving the community's health needs





# Cipla 4 India: Recommendations 2

The tier 2+ and rural market make up around 80% of India. This market cannot be cracked by a single intervention. Hence we present a range of targeted interventions, that can be bundled together to address the multifaceted challenges of penetrating the tier 2+ market. We have aggregated all these interventions together in a model we call **Cipla 4 India**. Interventions involved in these program are detailed and justified against product and stakeholder needs to ensure that our suggestions are end to end and holistic

## Healthcare professionals

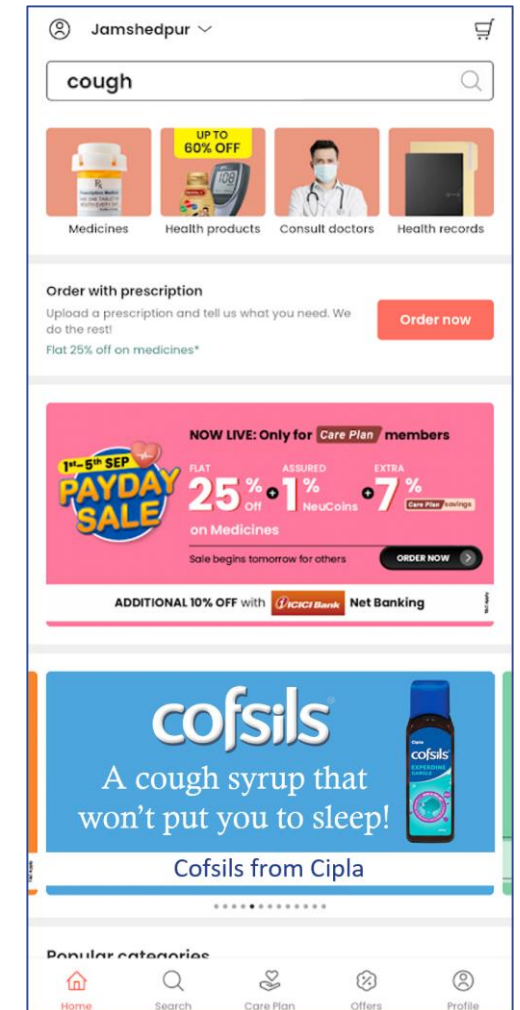
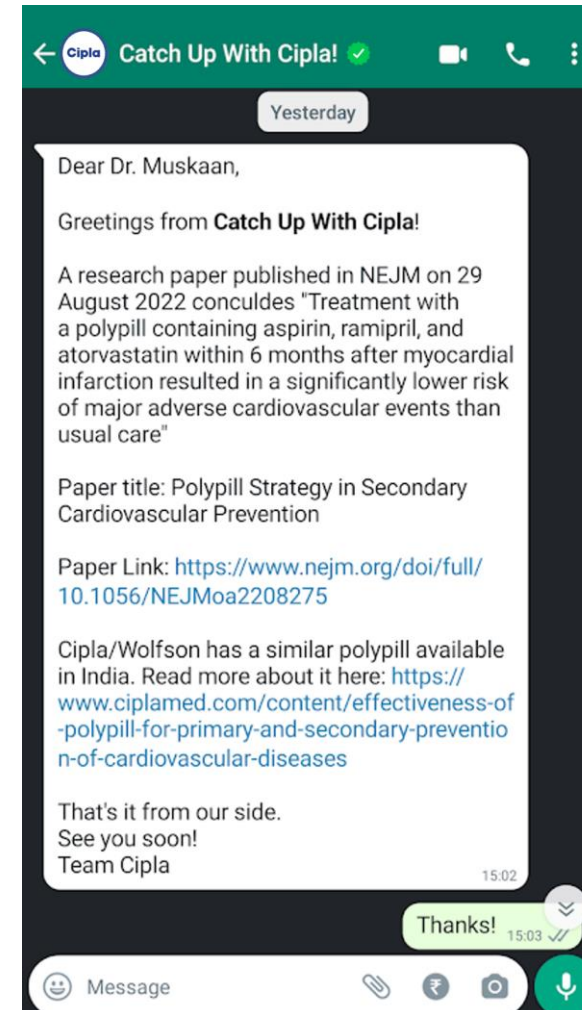
**Awareness & education:** Seminars, newsletters, helplines, MR activities can be activated to ensure that HCPs in tier 2+ markets are aware of the Cipla products. Seminars also increase peer recognition for these HCPs

**Market Information:** HCPs are at an unique intersection of medicine. Cipla can work with tier 2+ doctors to understand the patient's behaviours to different products and how they can be modified to suit this market better. Additionally data on prescribing habits can also be obtained

## Channel partners

**E-pharmacy:** The e-pharmacy industry has successfully cracked the ecommerce business in tier 2 and 3 cities. Cipla should directly partner with them. In exchanges for retailer's margins, Cipla would be able to leverage e-pharmacies' strengths in logistics network and consumer data

**Credit policy:** Pharmacy partners in rural and tier 2+ markets would avoid stocking drugs due to slow sale. Cipla can identify such retailers and offer them generous credit line to buy Cipla products in larger volume. This will ensure that customers are not lost to unavailability or substitutes



# Cipla 4 India: Recommendations 3

## FMCG's & telecom industries' strategies to crack the tier 2+ Indian market

### Learnings:

**Rethink size:** Price sensitive market prefer smaller sachet of FMCG SKUs and data recharge packs at discounted prices

**Customised advertisements:** Internet penetration means that highly customisable ads can be targeted to specific audiences for maximum bang for buck. For instance a review video by Naselin by a local influencer in vernacular language can be selectively boosted in EMS district with high respiratory burden

**Simple products:** Make shift Kirana shops don't have enough shelf life for multiple iterations of the same product. Easy to use and simple products is the key

**Leverage existing logistics channels:** Instead of developing new capital intensive channels, Cipla should piggyback on existing ones. For instance Pfizer and Ranbaxy used ITC's e-Choupal to sell their OTC products. Pepsi and Coke have recently partnered with gov's CSC e-Grameen stores.

### Challenges:

**Erratic sales:** Income patterns in inner India are highly volatile and seasonal and this could impact consistency in consumer's buying patters. This also means less accurate demand forecasting, hence larger inventory and warehousing costs.

**Smaller packaging:** Smaller products would mean lesser margin even with higher volumes. Additionally, it would also increase packaging and distribution costs.

**Crowded market:** Many FMCG firms have started cross selling pharma OTC substitutes like Reckitt's Strepsils. In these markets, they have deep pockets and experience.



## Case: Brand recall; making the brand synonymous with the product

Brand association is essential for longevity of product in the hinterlands. It not only ensures recall at the time of purchase but also sustains word of mouth marketing via tacky catchphrases. Cipla should also be co-promoted with OTC sub-brands to ensure synergistic growth. Think of Dairy Milk, Gems, Oreo among other brands under Cadbury's umbrella.



# Cipla 4 India: Recommendations 4

## Case: Dabbling into the pharmacy business and its impact on existing channel partners

**Branded prescriptions (75%):** Product sales is pushed by Cipla. Low margins and high revenue for retailers

**Trade generics (7%):** Sales is pushed by retailers. High margins & low revenues for retailers

**OTC(18%):** broadly same as branded prescriptions

**Strengths:** Pocket the current non-negotiable margins for retailers. Ensure better availability of stocks

**Weakness:** No prior experience. Saturated market

**Opportunity:** Control substitution with competitors product. End to end control over supply and margins

**Threat:** Irk distributors, stockists and retailers and cannibalize their business

We suggest that instead of directly entering the pharmacy market, Cipla should instead invest/collaborate with existing hospital and pharmacy chains to test waters without directly competing with its existing distribution, logistics and retail partners

## Case: Using tech to pivot pharma into new horizons of emerging markets

### Store mix across cities for retail pharmacy chains

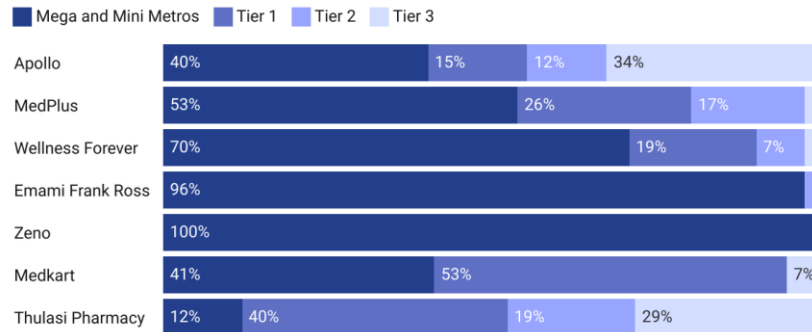


Chart: Ronak Borana, XLRI • Source: Technopak • Created with Datawrapper

### Revenue of Key Pharmacy Chains in India (INR Crores)

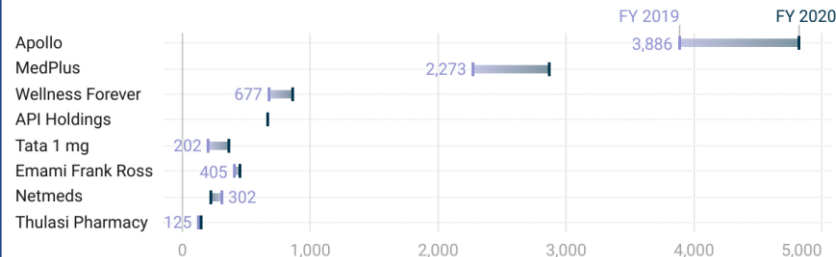


Chart: Ronak Borana, XLRI • Source: Technopak Analysis • Created with Datawrapper

### Ratio of sales representatives to physicians

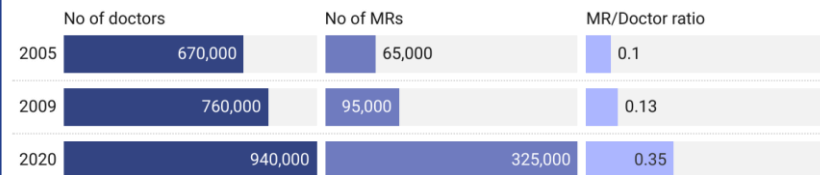


Chart: Ronak Borana, XLRI • Source: MCI & McKinsey • Created with Datawrapper

**Blockchain:** WHO report says that 10% of drugs in developing world are counterfeit. Cipla can collaborate with Web3 players to integrate end to end blockchain based authenticity validation of products.



**User data:** E-commerce reviews, e-pharmacy buying patterns, social media engagements are generating incredible amount of data on Cipla's consumers' behaviours.

**Assisting MRs:** Sales representatives existing tasks can be strengthened by tech. For instance engagements and product awareness with physicians can be replaced by chat bots, helplines and directed social media contents



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