

A COMPARATIVE STUDY OF MARKETING STRATEGIES OF CIPLA AND GLAXOSMITHKLINE

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Introduction:

Cipla Limited is a socially-minded Indian generic pharmaceutical company, probably best-known outside its home country for pioneering the manufacture of low-cost anti-AIDS drugs for HIV-positive patients in developing countries. It has played a similarly prominent role in expanding access to drugs to fight influenza, respiratory disease and cancer. Founded by nationalist Indian scientist Khwaja Abdul Hamied as The Chemical, Industrial & Pharmaceutical Laboratories in 1935, Cipla makes drugs to treat cardiovascular disease, arthritis, diabetes, weight control, depression and many other health conditions, and its products are distributed in virtually every country of the world.

Cipla has always emphasized self-reliance and the right of all people to health and access to medicine, regardless of their economic circumstances or where in the world they happen to live. The company has become well-known internationally for its dedication to working according to these values and prioritizing a socially-conscious approach to its operations, and that for over 75 years. Apart from its presence in the Indian market, Cipla also has an export market and regularly exports to more than 185 countries in all corners of the world.

The company followed effective marketing strategy owing to the awareness that pharmaceutical industry is going to be highly competitive and only the fittest could survive. The company also realized the fact to concentrate more on local market instead of going for overseas patent and acquisitions challenges.

Almost half of HIV/AIDS patients who are under antiretroviral treatment depend on Cipla drugs throughout the world. Cipla Ltd. is the world's largest manufacturer of these drugs and distributes them at discounted rates as compared to other brands. In 2002, World Health Organisation recognized Cipla as "in-principle approved" supplier for HIV-related medicines. On the domestic turf, it is a major player in the domestic retail pharmaceutical market with 1,000 plus products. Cipla's portfolio includes drugs for diseases like gastrointestinal disorders, asthma, chemotherapy, common cold, cough, cancer, antibiotics, tuberculosis, Alzheimer's etc. The company also specializes in the manufacturing of steroids and hormones.

The company also has a large export business that includes raw materials needed for manufacturing various pharmaceutical products, prescription drugs, intermediates and over the counter (OTC) products/drugs. Cipla is also a major exporter of animal care products. The company has a functional network connecting 180 countries for medicine export business across the globe. Cipla's

technological consulting services division helps other firms in areas of project appraisal, engineering (design to implementation of plants), personnel training, operational management, production planning and management and quality control.

Cipla has a vast range of products including prescription drugs, animal care products, OTC drugs, bulk drugs and agrochemicals (pesticides). Today the company is also into the business of providing a wide range of flavours. These flavors are used with the food and beverages – from fruit juices to medicinal liquids, from baked goods to oral hygiene products. Cipla Fragrances are also used widely – from personal care products to laundry detergents to room fresheners. Cipla also manufactures some FMCG products like soaps and toiletries. In March 2008, Cipla announced net sales of Rs. 1,142 crores, its best ever quarter for international sales with a growth of 23 percent. As company reports suggest, this was result of a strategy involving increasing sales of ingredients of international active pharmaceuticals and fine tuned dosages. The company's domestic sales have been reasonably good as well and the operating profit of the company has touched Rs. 203 crores. This accounted for a revenue growth of 19.6 percent. Despite Cipla's sustained growth, according to the latest figures published by ORG-IMS, Ranbaxy laboratories is leading the pack with a market share of 5.43 percent market share, while Cipla is at the penultimate position with a market share of 5.04 percent.

Glaxo Smith Kline (GSK)

Glaxo SmithKline Pharmaceuticals Ltd. (or GSK) is an Indian subsidiary of Glaxo SmithKline plc, one of the world's leading research based pharmaceutical and healthcare companies. It is one of the oldest pharmaceutical company in India. Its product portfolio includes prescription medicines and vaccines. Its prescription medicines range across therapeutic areas such as anti-infectives, dermatology, gynaecology, diabetes, oncology, cardiovascular disease and respiratory diseases. It also offers a range of vaccines, for the prevention of hepatitis A, hepatitis B, invasive disease caused by H, influenzae, chickenpox, diphtheria, pertussis, tetanus, rotavirus, cervical cancer and others. It has challenging and inspiring mission to improve the quality of human life by enabling people to do more, feel better and live longer.

Originally Glaxo SmithKline was a baby food manufacturer processing milk into a baby food of the same name: the product was sold under the slogan "Glaxo builds bonny babies" from 1908. Still visible on the main street of Bunnythorpe is a derelict dairy factory (factory for drying and processing cows' milk into powder) with the original Glaxo logo clearly visible, but nothing to indicate that this was the start of a major multinational company. Glaxo became Glaxo Laboratories, and opened new units in London in 1935. Glaxo Laboratories bought two companies, Joseph Nathan and Allen & Hanburys, in 1947 After the company bought Meyer Laboratories in 1978, it started to play an important role in the US market. In 1983 the American arm Glaxo Inc. moved to Research Triangle Park (US headquarters/research) and Zebulon (US manufacturing) in North Carolina. Burroughs Wellcome and Glaxo merged in 1995 to form Glaxo Wellcome. In 1830, John K. Smith opened its first pharmacy in Philadelphia. In 1865, Mahlon Kline joined the business which 10 years later became Smith, Kline & Co. Subsequently, in 1891, it merged with French, Richard and Company. It changed its name to Smith Kline & French Laboratories as it focused more on research in 1929. Years later, Smith Kline & French Laboratories opened a new laboratory in Philadelphia; it then bought Norden

Laboratories, a business doing research into animal health. Zantac's arrival in Japan had involved major competition in the form of an anti-ulcer drug discovered by the Japanese Yamanouchi Company. The company's difficulties in Japan continued in the early 1990s. Corporate executives cited frequent price reductions and registration delays as impediments to greater success in this, the second-largest market in the world. Glaxo did penetrate the Chinese, Eastern European, and Russian markets in the early 1990s, opening a factory in China and establishing branches and companies in many former Communist bloc countries. Over the next few years, however, Glaxo's status declined somewhat. A wave of drug company mergers in 1989 left the company fourth in worldwide sales. The company was reorganized that year, and CEO Bernard D. Taylor was replaced by Ernest Mario, formerly head of U.S. operation. Zantac sales plateaued by the start of the 1990s, when newly formulated anti-ulcer drugs threatened its commanding share, and some industry analysts doubted the company's ability to maintain its lead in new drug introduction.

In 1990, Glaxo announced worldwide regulatory trials for its new anti-migraine drug, Imigran (or sumatriptan, generically). Moreover, Zofran Injection, an important new treatment for the prevention of nausea and vomiting in cancer patient receiving chemotherapy, was approved by the United States Food and Drug Administration early in 1991. Within just over a year, the drug was available in most of the world's markets and registered sales of L259 million in Glaxo's 1991-92 fiscal year.

Glaxo tried to capture some of the entrepreneurial energy of smaller companies through joint ventures. In 1991, Glaxo entered into an agreement with Gilead Sciences Inc. In exchange for about \$20 million, Glaxo purchased an equity stake in the company and its potential for creating anti-cancer drugs. The company also sold its interests outside of prescription drugs and increased its research and development allocations. One such development, Ceftazidime, an injectable antibiotic, received a strong market reception in Japan.

Research Methodology:

The research methodology used for the purpose of this study was essentially an exploratory research, wherein the personnel of Cipla and Glaxo SmithKline were contacted for collection of data. A total of around 100 such personnel were contacted from each company.

Research Hypothesis:

A hypothesis defines an expected relationship between variables which can be empirically tested. The hypothesis in this research can be expressed as:

Ho₁

The existing marketing strategies of Cipla and Glaxo SmithKline (GSK) are effective.

Ho₂

The distribution strategy, pricing strategy, product life cycle strategy and promotion strategy of both the companies are effective.

Objectives of the study:

To explore comparative position of the marketing strategies of two major players of Indian pharmaceutical industry i.e. Cipla and Glaxo SmithKline (GSK).

Date Collection:

Primary Date- Primary Data is collected using methods such as survey and observations.

Secondary Data- All methods of data collection can supply quantitative data (numbers, statistics or financial) or qualitative data (usually words or text). Quantitative data may often be presented in tabular or graphical form. Secondary data is data that has already been collected by someone else for a different purpose.

Sources of Data Collection- Paper-based sources, Electronic sources, Official or government sources, Unofficial or general business sources.

Research Type: Exploratory and descriptive

Type of Sampling: Convenience Sampling

Analysis of the Comparative Positions of Marketing Strategies aof Cipla and Glaxo SmithKline (Gsk):

The table mentioned below demonstrates mean and standard deviation of various items related to marketing strategies of Cipla and Glaxo SmithKline (GSK hereafter). The mean of item 1 was found to be 1.99 in case of Cipla. Standard deviation in this case was computed to be .98. While in case of GSK, the mean was computed to be 2.02 and S.D was calculated to be .42. In this case, t value has also been calculated and found to be 5.98. This finding confirms hypothesis Ho1 i.e. the existing marketing strategies of Cipla and Glaxo are effective.

In case of Item No. 2 Pricing Strategy, the scores (mean) were found to be 1.54 and 2.53 respectively in Cipla and Glaxo. The standard deviations in this case were found to be .79 and .29 respectively. The t value in this case has been calculated as 4.98.

Item No. 3 is Distribution strategy. Respondents from both the companies have agreed that the company has got quality products. The mean scores in this case were found to be 1.85 and 2.59 in Cipla and Glaxo respectively. .38 and .33 were the calculated standard deviation in both the companies. T value is calculated as 2.87.

Hence, above data clearly demonstrates the fact that there was very less significant difference in scores of respondents. The researchers derived positive scores in the items related to marketing strategies of Cipla and GSK.

The company follows Promotion Strategy is the Item no. 4. The respondents scored fairly well in this item also. The mean of responses of Cipla company was found to be 1.69. However, the scores were reported to be 2.54 I case of GSK. 6.65 was the computed t value in this case. It means that there is very little variability of magnitude.

The responses of item No. 5 were also found to be good. In case of Cipla, 1.98 was the computed mean of the responses taken from marketing personnel of the company. Majority of respondents believed that product life cycle strategy of the company is good. The mean was computed to be 2.74 in case of GSK. There were also very little variability of scores i.e .28 and .16 in case of Cipla and GSK respectively. 6.30 was the calculated value in Item No.5.

The response of Item no. 6 i.e Diversification programmes such as acquisitions and mergers seems to be fairly good in Cipla and GSK. The mean was found to be 1.23 and 2.67 in both the companies respectively. The variability of scores was observed to be .33 and .33. T value in this case was reported to be 7.98.

When respondents of both the companies asked the Research- based Activities; the mean scores of their responses was 1.87 and 2.65 and standard deviation was .28 and .21 in Cipla and Glaxo respectively. T value was computed to be 5.88 in this case. This shows that both companies are following on R&D Activities. However, the scores clearly shows that in case of GSK there was least variability of scores i.e .21 which mean that Glaxo is focusing more on these activities.

Item No.8 state that the company follows effective Marketing Mix. In this case too, GSK is having slightly better distribution strategy then Cipala. This can be demonstrated by the mean score of the companies. It was computed to be 1.89 in Cipla and 2.51 in GSK. .30 was standard deviation in Cipla while it was .15 in case of GSK. The t value also shows good scores value in both the cases i.e. 4.99.

Item No.9 i.e. Marketing efforts in efforts in enhancing quality and speed. The scores in this case were found to be 1.50 and 2.00 in case of Cipla and GSK respectively. .28 and .14 were standard deviation computed in Cipla and GSK. T value in this case was computed to be 4.55.

Item No.10 is an enquiry about company' s diversification into health care, skin care etc. 2.87 and 1.96 were scores in case of Cipla and GSK respectively.

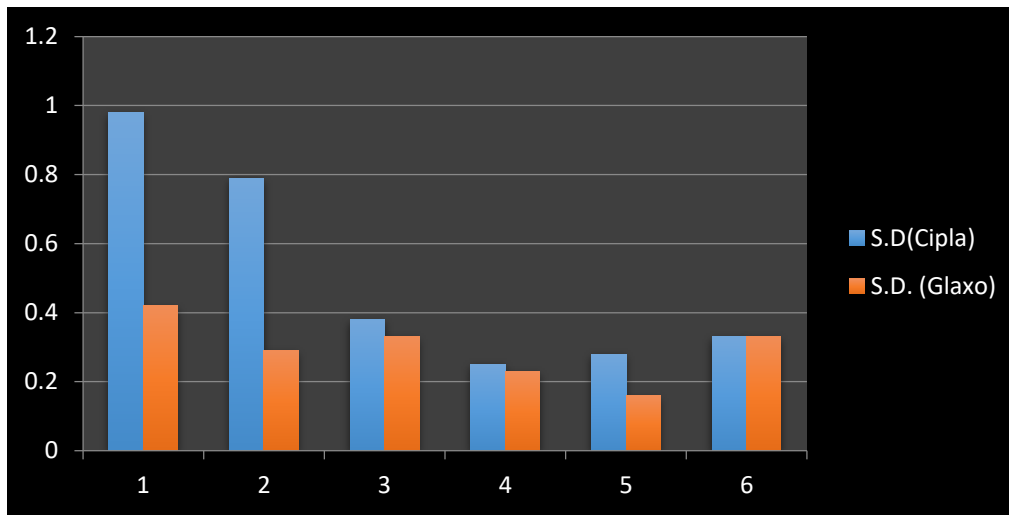
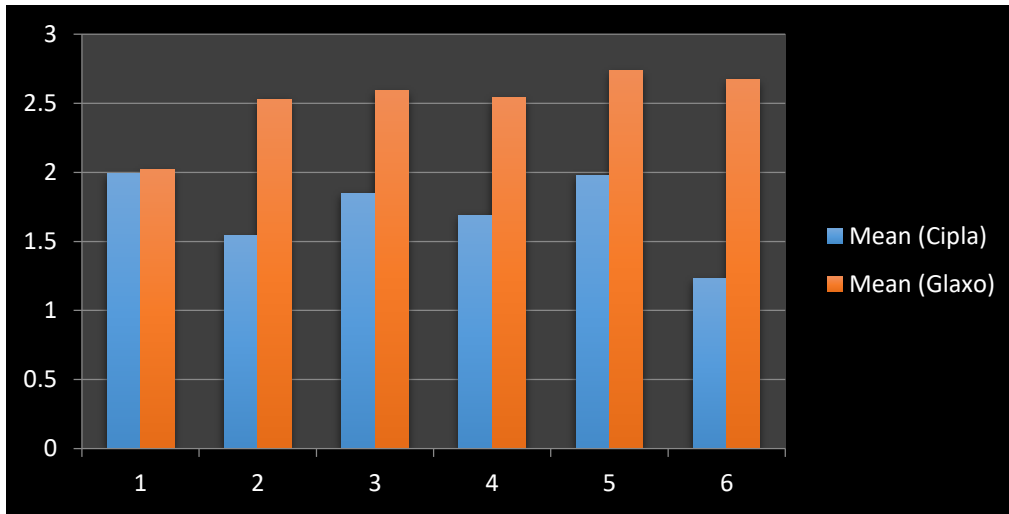
This comparison clearly shows that Glaxo is doing better than Cipla in case of pricing strategy, product life cycle strategy, promotion strategy and also in case of diversification programmer like acquisition and merger. However, the there is slight different between the responses of the data obtained from the marketing personnel of both companies.

The findings of above described items confirm that both companies are on both of adopting effective marketing strategies in their domains. While Cipla is focusing quality & speed of delivery of research based product and producing anti- AIDS drugs; GSK is aspiring to be so by developing effective vaccines.

S.No.	Item	Cipla (N=100)		GSK (N=100)		't' Value
		mean	S.D	Mean	S.D	
1	General Marketing strategy of the company	1.99	.98	2.02	.42	5.98**
2	Pricing strategy	1.54	.79	2.53	.29	4.98**
3	Distribution strategy	1.85	.38	2.59	.33	2.87**
4	Promotion strategy	1.69	.25	2.54	.23	6.65**
5	Product life cycle strategy	1.98	.28	2.74	.16	6.30**
6	Diversification programmes such as acquisition and mergers.	1.23	.33	2.67	.33	7.98**
7	Research- based Activities	1.87	.28	2.65	.21	5.88**
8	Marketing Mix	1.89	.30	2.51	.15	4.99**
9	Marketing efforts in enhancing quality and speed	1.50	.28	2.00	.14	4.55**
10	Diversifies into health care, skin care etc.	2.87	.14	1.96	.21	3.96**

Comparative position of Marketing Strategies of Cipla and Glaxo SmithKline (GSK)

Bar graph show the comparative position of means and standard deviation of Cipla and Glaxo respectively. These graph are demonstrating the comparative position of both the companies in a more comprehensive and objective manner.



Hence, above analysis clearly demonstrates that the marketing strategies of both Cipla and Glaxo are effective – hypothesis Ho1. However; comparative analysis of both the companies reveals the facts that GSK is larger research based pharmaceutical company than GSK. The analysis also confirmed that pricing strategy of GSK is better than Cipla.

In case of diversification programme like acquisition and merger, Glaxo has found be more indulged in these programme than Cipla. However, slight variation has found in the response scores of both the companies.

The comparative analysis of both the companies also showed the fact that product life cycle strategy and promotion strategy of GSK is better than Cipla . This analysis confirms Ho2 i.e the distribution strategy, pricing, strategy, product the life cycle strategy and promotion strategy of both companies are effective.

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