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**B. Pharm**

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**Subject Name: Pharma Marketing Management**

**Subject Code: BP803TT**

Marketing CHANNELS

# Learning Objectives

Describe what are marketing channels and their functions in pharmacy practice

Summarize the arguments for and against using intermediaries in channels

Map out general pharmacy channel structures Identify the sources of channel conflict

Suggest strategies for managing conflict in marketing channels

Define key terms: channels, intermediaries, just-in-time, outsourcing

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# Channels are…

paths through which goods, information, and payment travel on their way from the producer (e.g., manufacturer) to ultimate consumer (e.g., patient).

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# Channels in Pharmacy

In pharmacy, there are channels for distributing medications, financing and paying for those medications, insuring risk associated with medications, and facilitating their appropriate use.

Channels of distribution are a prominent concern for pharmacists.

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# A Channel of Distribution…

consists of the producer of a good (e.g., drug), the ultimate user, and any intermediaries (i.e., middlemen) through which the goods pass

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## Typical Channels for Drugs

**Producer**

**Intermediary**

**Intermediary**

**End User**

**Pharmaceutical**

**Company**

**Patient**

**Pharmaceutical**

**Company**

**Pharmacy**

**Patient**

**Pharmaceutical Company**

**Wholesaler**

**Pharmacy**

**Patient**

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# Intermediaries…

improve the efficiency of distribution channels by decreasing the number of required interactions between members of the channel.

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**Buyer**

**Seller**

## Basic Marketing Channels

**Seller**

**Buyer**

**One Seller, Many Buyers (e.g., Pharmaceutical Company Selling to Retail Pharmacies)**

**Buyer**

**Seller**

**One Buyer, Many Sellers (e.g., Health Care Providers**

**Buyer**

**Seller**

**Selling to the Federal Government)**

**Seller**

**Buyer**

**Seller**

**Buyer**

**Seller**

**Buyer**

**Seller**

**Inter- med- iary**

**Buyer**

**Seller**

**Buyer**

**Seller**

**Buyer**

**Many Sellers & Many Buyers With No Intermediary (e.g., Famers Market)**

**Many Sellers & Many Buyers With An Intermediary (e.g., Wholesaler Mediating Transactions**

**Between Pharmaceutical Companies and Retailers)**

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## Producers benefit from working with channel intermediaries

Intermediaries offer platforms which can be used by large numbers of producers in an economical way

Intermediaries reduce the amount of upfront investment required by producers

Specialization of intermediaries adds quality and efficiency to the system

Specific skills and capabilities can be efficiently outsourced to channel partners.

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## Functions of Marketing Channels

**Production/**

**Value Added**

**Repackaging**

**Value Added**

**Services**

**Compound-**

**ing**

**Selling/**

**Promotion**

**Promotional**

**Communi- cations**

**Point of**

**Purchase Selling**

**Distribution**

**Face-to-face**

**Mail Order**

**Self-Service**

**Storage**

**Wholesaling**

**Warehous-**

**ing**

**Financing/**

**Payment**

**Credit**

**Insurance**

**Contracts**

**Patient Cost**

**Sharing**

**Risk Sharing**

**Risk Sharing**

**Contracts**

**Participation**

**in Networks**

**Regulation**

**State & Local**

**Federal**

**Non-govern-**

**mental**

**Relationship**

**Management**

**Customer**

**Relationship Manage- ment (CRM)**

**Managed**

**Care Networks**

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Marketing Channel Functions and Examples of

Physical Distribution

|  |  |
| --- | --- |
| **Channel Function** | **Example of pharmacist role** |
| Production & Adding Value | Providing MTM & clinical services |
| PromotionalCommunications | Persuading patients to adhere to medications |
| Distribution | Dispensing medications |
| Storage | Inventory & formulary management |
| Financing & Payment | Assisting patients & providers in cost effectivetherapeutic plans |
| Risk Sharing | Managing risk of adverse outcomes of medications |
| Regulation | Ensuring that all other channel members adhere to laws & regulations |
| RelationshipManagement | Developing & maintaining therapeutic relationshipswith patients |

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# Channel Relationships

Marketing channels consist of different organizations, each with their own goals and objectives.

In pursuing their goals, organizations frequently

* Have conflicts
* Cooperate

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# Channel Members…

Can be partners, allies, or competitors depending on the channel functions they choose to serve

Competing for channel functions is a major source of conflict

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**MANAGING CHANNEL CONFLICT**

Commitment of partners to a productive channel relationship is a function of:

*The benefits of being in that relationship The costs of terminating that relationship Shared goals and values*

*Trust* between partners

Source: The commitment-trust theory of relationship marketing. Journal of

Marketing 1994;20-38. 15

## Managing Channel Relationships

Pharmacists need to effectively manage how partners perceive them and their contributions to the relationship

They must

* + make a continual case for the value they provide to partners and the customers served by partners
	+ seek partners who share similar goals and values
	+ continually work to gain and maintain their partners' trust

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# OMNI-CHANNEL RETAILING

"an integrated sales experience that melds the advantages of physical stores with the information-rich experience of online shopping

Omnichannel retailing tries to provide a seamless experience in which consumers switch back and forth through all available shopping channels

\*The future of shopping. Harvard Business Review 2011;89(12):65-76. 17

### Omni-Channel Experience for the Pharmacy Customer

**Retail Store**

**Mobile Applications**

**Kiosk**

**Telemedicine**

**Customer**

**Internet**

**ATM-Type Technology**

**Mail Order**

**Social Media**

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# Summary

Roles of pharmacists in channels continue to change

Serving pharmacy customers requires collaboration with channel partners but often leads to conflict too

Pharmacists are intermediaries in most pharmacy channels, meaning that their value results from how well they serve their new and established roles within the supply chain.

Pharmacists can add value in more ways than just by selling merchandise, and increasingly they are stepping into roles outside of the distribution function.

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