

# Development of a Service Delivery Model that will Bridge the Gap between Service Support Expected by Indian Pharmaceutical Companies

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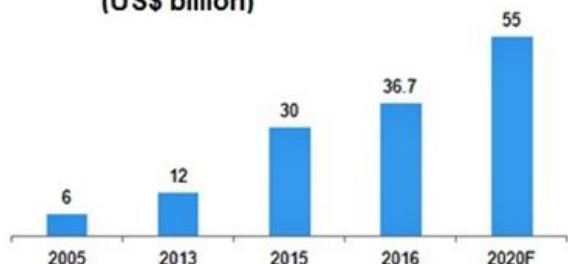
**Abstract:** This article elaborates the study conducted on multiple pharmaceutical companies in India for understanding their service needs from their equipment vendors. The existing prevailing service models were studied and the gap between the existing models and the end user requirements are studied in detail. After gathering the relevant data a new service model has been proposed, which will be more efficient in fulfilling the service needs of the end users in the Indian Pharmaceutical Industry.

**Keywords:** Service Delivery model, Service support, Pharmaceutical industry

## 1. Introduction

In a speech in South Africa in 1890 Mahatma Gandhi said "A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him". Indian Pharma Industry is 4<sup>th</sup> largest industry in the world & is growing at a rate of **13%**. It is a highly organized sector & the India pharmaceutical market is supposed to expand at a CAGR of 23.9% to reach US \$ 55 billion by 2020.

### Revenue of Indian pharmaceutical sector (US\$ billion)



Source: Department of Pharmaceuticals, PwC, McKinsey, TechSci Research  
Notes: F - Forecast, CAGR - Compound Annual Growth Rate

**Figure 1:** Projected Growth in India Pharmaceutical Sector

With such a huge growth, the demand of Pharma industry for support from various vendors & suppliers too has increased. One of the major activities carried out in the Pharma industry is the validation tests for their new products & QC test for their final products as well as the raw materials.

US FDA, Indian Pharmacopeia & other various bodies have provided certain guidelines which need to follow. The various tests for validation & QC test are carried out with the help of sophisticated laboratory instruments like spectrometers, chromatography instrumentation manufactured by Indian as well as Foreign manufactures. One of these instrumentation manufacturer & supplier is **Brett & Spencer Scientific India Ltd.** They are an international renowned MNC specializing in scientific & laboratory instrumentation. Considering the huge growth of Indian Pharma industry & also various other factors like poor after sales service support provided by their Indian dealer they have decided to set up their own service

operation in India ending up their 3 years contract with the dealer. This project is aimed in developing a service delivery model that will bridge the gap between the services expected by Pharma Company from **Brett & Spencer Scientific India Ltd.** The sophisticated Laboratory instruments like spectrometers, Gas chromatography analysers, HPLC, Mass spectrometers, ICPMS etc are instruments used by the Pharma industry to analyse their raw materials, finish products & also while development of new drugs. USFDA, Indian Pharmacopeia, Food & Drug Administration India have published protocols, methods that has to be followed while carrying the analysis. These protocols & other validation tests have to be strictly followed & results & all the documentation recorded & stored for Audits. Any deviations from the defined norms can result in cancellation of licence or other strict action. Hence smooth & consistent functioning of these instruments is utmost important requirement & expectation of the Pharma industry.

### Objectives of the study

- To identify the spread of Pharma industry PAN India
- To identify the service needs
- To find out the service support & infrastructure capabilities of their competitors
- To develop a suitable service model

In order to develop a suitable service model three steps were taken

- 1) A comparative study was done of the existing service models in India & abroad.
- 2) A survey was conducted by face to face / telephonic interviews of personal from a mix of Top reputed Pharma companies, Medium & small scales Pharma Industries to identify the needs or expectations of the customer from the vendors. Total 100 personals from 30 companies were interviewed.
- 3) To identify the service & infrastructure capabilities of competitors major instrumentation suppliers like Agilent, Bruker, GE health science, Thermo Fisher, Perkin-Elmer, and Shimadzu were considered.

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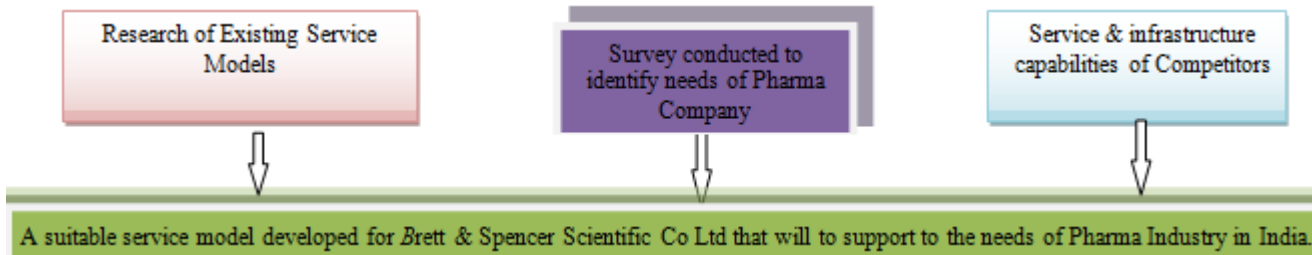


Figure 2: Overview of study conducted to design a suitable service model

2. Research Methodology



Research Plan

A simple random sampling method was used. The collection of data was primary in nature & collection of data was done through personal interview or through telephonic interview.

3. Sampling size & Method of data collection

Data collection was through personal interviews with 2 personal from 10 reputed companies each from 5 zones/ industrial belts PAN India. Total 100 personals from 50 companies were interviewed.

I. Identification of the needs of Pharma Industry

The sophisticated Laboratory instruments like spectrometers, Gas chromatography analysers, HPLC, Mass spectrometers, ICPMS etc are instruments used by the Pharma industry to analyse their raw materials, finish products & also while development of new drugs. USFDA, Indian Pharmacopeia, Food & Drug Administration India have published protocols, methods that have to be followed while carrying the analysis. These protocols & other validation tests have to be strictly followed & results & all the documentation recorded & stored for Audits. Any deviations from the defined norms can result in cancellation of licence or other strict action. Hence smooth & consistent functioning of these instruments is utmost important requirement & expectation of the Pharma industry.

The survey was carried out zone wise & sector wise (Top listed companies, Medium & small scale Pharma companies). This was done to identify the varied (if any) requirements based upon different sector & location. Although the Pharma companies are fragmented & spread all over India, however for this study the selective pockets like Hyderabad, Vishakhapatnam, Baddi, Ahmedabad, Mumbai, and Indore where major Pharma companies are located.



Figure 3: Pharma Cluster spread across India

A mix of Top rated Pharma Company, Medium & small companies were considered for the survey.

This was done to understand the needs of the companies from all sectors.

Some of the reputed companies that were considered for survey were

	Market Capitalization (in Crore)
1) SUN Pharmaceutical Industries LTD	Rs 1,55,716
2) LUPIN	Rs 68,031
3) DR. REDDY'S LABORATORIES	Rs 49,293
4) CIPLA	Rs 47,319
5) AUROBINDO PHARMA LIMITED	Rs 41,283
6) CADILA Pharmaceuticals Limited	Rs 31,631
7) PIRAMAL ENTREPRISES	Rs 30,975
8) GLENMARK	Rs 25,302
9) GLAXOSMITHKLINE	Rs 23,010
10) TORRENT PHARMA	Rs 22,742

Other Large, Medium & small scale Industries that were considered for the survey

- 1) Novartis India Ltd
- 2) Abbott India Ltd
- 3) Intas Pharmaceuticals Ltd
- 4) Unichem Laboratories Ltd
- 5) Merck Ltd
- 6) J B Chemicals & Pharmaceuticals Ltd
- 7) Divi'S Laboratories Ltd
- 8) F D C Ltd
- 9) Panacea Biotec Ltd
- 10) Shasun Chemicals & Drugs Ltd

- 11)Transchem Ltd
- 12)Medicamen Biotech Ltd
- 13)Indoco remedies Ltd
- 14)J K Pharmachem Ltd
- 15)Makers Laboratories Ltd

After talking to various personals from the Pharma sector we came to common conclusions about the expectations of Pharma sector from their service vendors particularly from sophisticated laboratory equipment suppliers.

- 1) Prompt & efficient service support
- 2) Fast delivery of spares & consumables
- 3) Service engineer located at close vicinity
- 4) Less down time/ repair time of the instruments
- 5) Low service & spares cost

**Study of existing Service Models in India & Abroad**

According to **Kotler (1997)** customer satisfaction is a customer’s feeling of pleasure or disappointment resulting from comparison between the products’s perceived performance (or outcome) in relation to his or her expectations." It portrayed the idea of measuring how satisfied customers are with the organization's efforts in a market place.

Customer satisfaction measures the following variables

- 1) Product
- 2) Service
- 3) Relationship
- 4) Price
- 5) Convenience
- 6) Brand image
- 7) Brand association
- 8) Total customer experience

Customer Satisfaction= [customer experience-customer expectation]

Customer Satisfaction>0	It enhance the customers LMV
Customer Satisfaction<0	Customer attrition are more frequent result in fall in LMV

LMV: Every customer is an assets and has a economic life time market value (LMV).a customer life time value can be determined by using the following formulae-

LMV= [average customer transaction amount\*number of transactions he or she will conduct with the organization over time]

**The Delta Principle :** According to George Colombo the quality of customer experience is not a direct result of the objective quality of your products & services. Instead, customer satisfaction is a function of how closely your customers’ experiences with your business conform to their expectation.

**The Pareto Principle (80-20 rule)**

According to Italian economist Vilfredo Pareto who observed that 80% of his countries land is occupied by 20% of the people.

Same principle was later observed by many in various other fields & also in customer satisfaction. It is observed that 80% of revenue was received from 20% customers.

**The Super Star Approach:**

Since the resources like service infrastructure, overheads etc is limited hence in order to improve the profitability many management try to concentrate on this 20% customers, provide very satisfied support to this 20% customers who deliver 80% of their revenue.

However only focussing this 20% lot can be risks for couple of reasons

- 1) There can be growing companies in the less significant 80% who may be lost to completion
- 2) It is possible that the few of the 20% super customer might take undue advantage of their position & squeeze the profitability.

Imagine what will be the impact on bottom line when you invest in keeping only these smaller, potentially more profitable customers satisfied.

**The 20-80-30 rule**

Taking into consideration the above risk a new 20-80-30 rule was introduced. 20% of customers bring 80% of the revenue of which 30% is spent on maintaining the bottom line customer. Hence it is important to find out which customers are the 20% best customers for the company & to treat them differently in order to acquire, upgrade & retain them.

**Customer-Relation- Management (CRM) – The modern way to keep track of customers**

We belong to the generation of mobility that also caters to needs of the customer, more than ever before. With the advent of mobile networks, GPS, connectivity reach spans from India to Australia and beyond. Also due to internet there’s a dissemination of information available at our disposal.

The consumer is now well equipped with knowledge to distinguish between brands. Hence, since the midst of 21<sup>st</sup> century, the focus on building brands with more products has left the market in an unstable state. Increase of competitors in the market mean more available options for the customer. Dynamics between the customer and provider has drastically evolved, today. Consumers know which brand to purchase. So to sweeten the purchase up, businesses need to provide an added benefit, efficient & prompt after sales support to the customer.

In this scenario customer Relationship Management (CRM) can makes an impact. It involves keeping track of customer information and trends; therefore it is more than just about database as it involves a fair amount of management strategy and customer insight to launch a successful goal-oriented campaign for customer retention

## How CRM helps an organization

**A good CRM help capture the customer requirements more efficiently-** Through its varied parameters and analysis techniques, CRM equips automation establishments with the necessary consumer data to act upon. The key here is smart data. Through CRM, establishments know how to optimize the data to their benefit by entailing customer preferences. This helps organizations reinvent their retailing approach according to customer's needs and expectations.

**Helps in Competition analysis-** Complete analysis of competition can be done with the help of CRM. This technology enables establishments to gauge competition through tracking their purchase cycle. With this inference, companies can plan their point of action in accordance to market scenario. A healthy market analysis ensures constant enhancement plans to suit the need of the moment

**Keep track of activities to be done-** CRM helps organizations keep abreast with internal happenings. Activities can be planned and shared amongst every member in an efficient manner. This cuts off internal miscommunication to a great extent. Also the head of departments can keep a check on subordinate progress and provide necessary changes.

**Can help in better management of inventory-** With CRM, reliability on manual inventory decreases as this cloud-based software keeps a record of every past and present activities of the organization. This reduces error as option of data being lost due to calamities such as storm, fire and more, is overcome to a large extent. Also CRM can be configured to keep data safe from external factors and misuse.

**Helps in the management of risks-** A comprehensive data on customers helps in identifying core strengths and weaknesses, the opportunities and the threats. Through CRM database, sales personals are more likely to predict their future revenues. An insight on customer interaction and past sales would help to predict the path to be chosen for better retention of customer.

**Promotes seamless Customer-Organization interaction-** An added benefit of CRM is that it helps organizations keep consumers updated through automated emails- be it a promotion or a consumer loyalty program. Plus, it provides your employees a reliable tool to access and update customer information with. Collaboration amongst teams is promoted through a designated platform for sharing information and tracing updates.

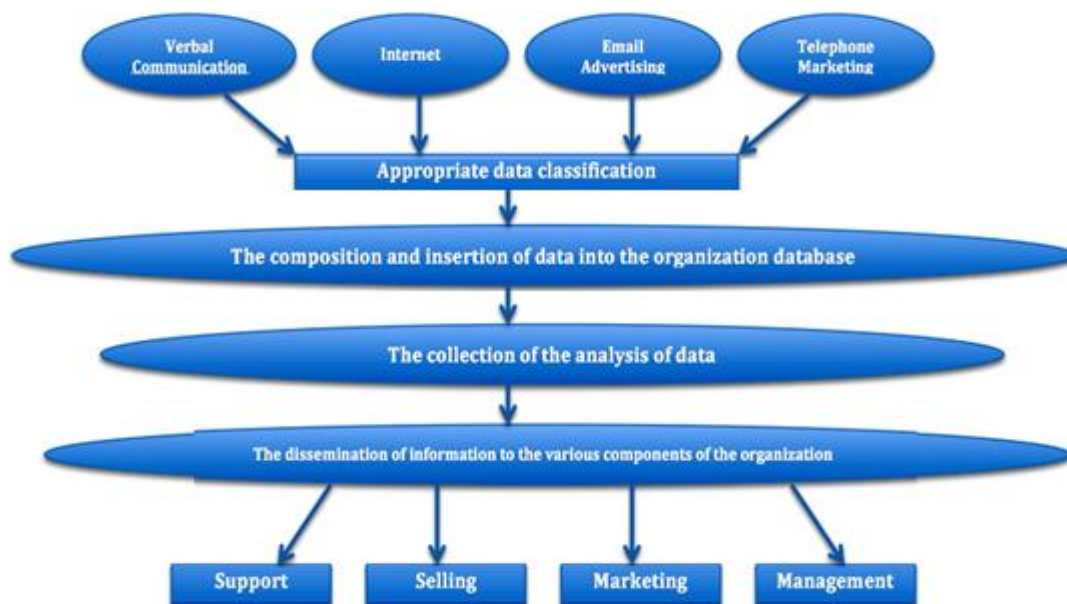


Figure 4: Components of a CRM model

### Study of service models deployed by major competitors of Brett & Spenser in India

Service capabilities & other infrastructure of major vendors of laboratory instrumentations suppliers were considered. Some of common infrastructure capabilities in all the organizations

1) Powerful CRM software to generate a customer database, log the call & assign it to field service engineer (FSE), track the FSE visits, save the e-service reports, send quote of spare parts, compile the data & produce it in a form desired by management for analysis. A team of back office customer support team handles the CRM software & through it takes care of the complete after sales support activities.

- 2) A supply chain management team with central warehouse for stocking of spare parts & distribution / logistics centre.
- 3) Product Technical support team supporting the Field service engineers
- 4) In house Service training facility
- 5) A call completion survey to track the quality of work done & customers feed back
- 6) Dedicated Sales team to sell service products like contracts, spares, validations

In some of the organizations there were field service engineers on direct pay roll of the parent company & there were also engineers on contract basis. The FSE on direct pay roll supported the class A customers & escalations while

FSE on contract basis supported the Class C customers, carried out site readiness visits, supported low end products. Few of the competitors had a Depot repair facility where the electronics cards, motors, valve etc. Some Vendors like PerkinElmer, Agilent, and Thermo Fisher even have ventured into supporting competitors instruments. This concept is now taking shape & is termed as Multi vendor activity.



Figure 5: Typical service model observed at most of the Vendor

4. Result & Conclusion

The proposed service Model that will bridge the gap between the expectation & reality

After carrying out Research on various service models suggested by management guru, carrying out a comparative study of the service capabilities & infrastructure of competitors, identifying the expectations of Pharma personnel from instrument suppliers; a service model was developed by Brett & Spenser for their operation in India.

The back bone of the service model is the CRM software (BS Customer Care Manager) coupled to SAP based data management system. The software was locally developed by a software consultancy firm. There is also another mobile based software module app called FSE Mobility app which is coupled to the CRM software & the app is loaded on the mobile device provided to the FSE. There a GPS tracking system to track the location of FSE & on assignment of a call the FSE can send his acknowledgement, travel time, details of work done, requirement of parts etc (if any) & finally the service report signed by customer. A FSE skill matrix & customer mapping table was prepared. This will help the customer care representative to assign the calls to engineers. The other major components of the model are

- 1) FSE (Field service engineer)
- 2) Customer care representative
- 3) Technical support specialist
- 4) Supply chain Management Team
- 5) Ware house

Let us first have a brief idea about the role of component.

- 1) CRM software - The CRM software termed as BS Customer Care Manager (BSCCM) is the back bone of the entire service operation. It is also coupled to SAP based data management system. The software was locally developed by a software consultancy firm. There is also

another mobile based software module app called FSE Mobility app which is coupled to the CRM software. Every FSE is provided with a mobile & this app is loaded on it. There a GPS tracking system to track the location of FSE & on assignment of a call the FSE can send his acknowledgement, travel time, details of work done, requirement of parts etc (if any) & finally the service report signed by the customer.

- 2) FSE (Field service engineer) - He is the representative or rightfully called the ambassador of the company. His main role is to visit the customer site & install, repair, calibrate, validate instruments that are sold by his company to the customer. However his role does not end here. He is the face of the company & link between the company management & customer.
- 3) Customer Care Representative (CCR) - The customer care representative is the back office employee who handles the CRM software. His task is to Log the call, verify the customer details, assign call to appropriate FSE taking into account skill matrix, send quotation for spares & service contracts.
- 4) Technical Support specialist (TSS)- As the name suggest he is the technical specialist for a particular product. All the call is routed through him. They speak to customers & try to resolve the complaint on phone or through team viewer. In case the case is not resolved the TSS again sends back the complaint to CCR who logs the complaint. Other task of the TSS are
  - i) To identify the training needs & conduct service training for the FSE
  - ii) To share & update technical information about the product to all the concerned parties
  - iii) To update the skill matrix
  - iv) Attend escalations
- 5) Supply Chain Management team (SCM) – This is the logistics & order processing, procuring team. There functions not only are limited to process & despatch parts, but to also maintain an appropriate & adequate inventory so that there is no E&O stock lying in the warehouse that would otherwise hitting the P&L.
- 6) Ware house – This is the stocking point of the spare parts located outside the octroi limit of the city or in the SEZ area so that octroi or custom duty is applicable only when it is delivered & billed to customer. It is under the control of the SCM team.

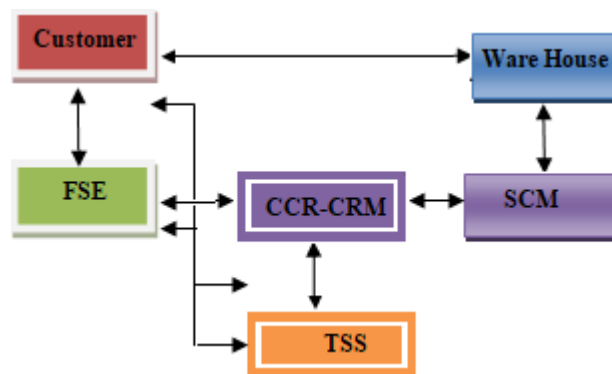
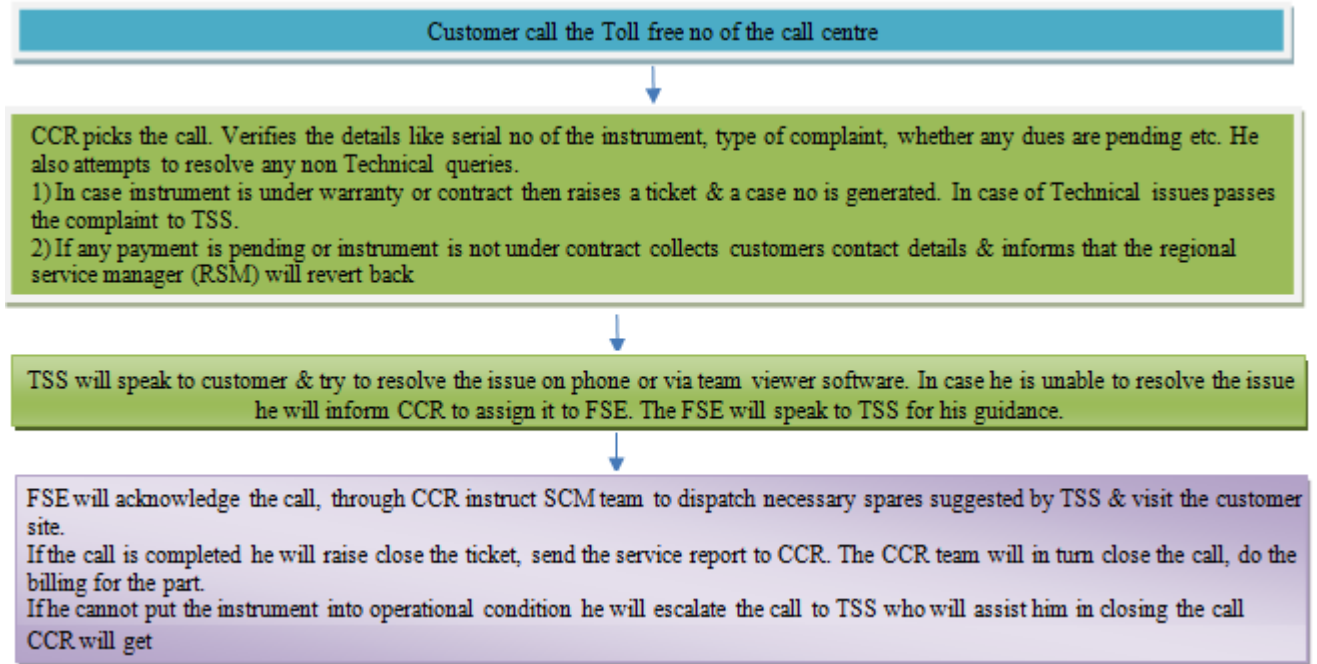


Figure 6: Block diagram of the proposed model

The Flow diagram while handling the customer complaint is as below



## 5. Acknowledgement

We are thankful to staffs from organizations cited in this article for sharing their experiences & expectations while collecting the data.

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