An Investigation of the Relationship between Branding and Customer Loyalty within the Pharmaceutical Industry

Said Al-Hasan[1], Brychan Thomas[2], Jonathan Gillet[3]

[1,2,3] University of South Wales Business School

Abstracts: This research paper identifies the functions and processes of branding in relation to the pharmaceutical industry with a comparison to the Fast Moving Consumer Goods (FMCG) industry; using previous research demonstrating elements of branding being introduced in greater depth to the pharmaceutical industry; with the goal of adding measurability to ensure successful transition. The study considers the way in which the integration of increased branding will have mutual benefit for all stakeholders of the industry; whilst examining how an increase in branding provides alternative opportunities; ranging from customer centralised philosophy; to the benefits of managing a well contrived brand effectively. There is analysis of past literature; both in general and that of the pharmaceutical industry in particular; showing how to transform the marketing practices for the industry in which the pharmaceutical organisations operate. The methodology provides reasoning for the approach and techniques used within the study. In relation to the methodology the research findings are presented with relevant analysis undertaken. As part of the analysis, in order to grasp a critical and balanced view of the research findings, the results build on previous research findings in the literature. The paper concludes with potential improvements that could be made in hindsight.

Key words: relationship marketing, branding, customer loyalty, pharmaceutical industry

E-mail: *said.alhasan1@southwales.ac.uk, [2] brychan.thomas@southwales.ac.uk,
[3] 10054286@students.southwales.ac.uk*

Introduction

The pharmaceutical industry has undergone a need for revolution in recent times; with many uncontrollable changes affecting the dynamics of how each organisation operates. This is indicated by Griffiths (2008) stating "the UK pharmaceutical industry has witnessed many changes in the last ten years, adapting to new government regulations, price competition and parallel imports from Europe. Many theorists in the mid-1990s forecasted the end of sales forces and direct marketing techniques in favor of small divisions focusing on specific Primary Care Trusts." The shift in emphasis that has been required within the pharmaceutical industry (Moss, 2001; Moss & Schuiling, 2004) is further explained by Moss & Schuiling (2004): "The pharmaceutical industry has been very successful since the late 1980s, achieving impressive annual sales growth rates in excess of 10 per cent per annum and enjoying the resultant growth in profits. This success has relied mainly on strong R&D, aggressive defence of patents and a powerful sales force. Pharmaceutical firms are now, however, facing numerous challenges that have changed the rules of the game in the industry".

The effect of the changes has led all stakeholders within the industry to further scrutinise the way in which an organisation and the industry as a whole are managed. As a result it has been deliberated that a way in which the pharmaceutical industry can prosper is by incorporating the process of branding into the activities of each business. Branding is a much discussed entity by both academics and marketing professionals in general; with considerable differences regarding the way in which the philosophy of branding is received.

Historically, branding is one entity that has not been embraced by the pharmaceutical industry to the extent of the Fast Moving Consumer Goods (FMCG) industry. This is suggested by Moss & Schuiling (2004) stating "in the pharmaceutical industry, we believe that people have not realised that they are managing brands and not just products. Indeed, the pharmaceutical product represents, in the consumer's mind, a set of tangible and intangible benefits. They do not only deliver a certain efficacy (tangible), they also offer additional values such as trust, relief or happiness (intangible). The literature touches on the added use that if transformed to the pharmaceutical industry; branding could become a useful tool. Also the literature demonstrates the basic principle that branding can be used within the pharmaceutical industry; as the fundamentals are already in place. It also further acknowledges that until the present; there has not been a significant need to employ branding within the pharmaceutical industry as growth has taken care of itself through the model in place. However, in recent times the industry has stagnated, leading to branding coming into prominence.

Due to increasing interest within the pharmaceutical industry, in particular with the stagnation of growth within the industry, academics, trade bodies, market research consultants and government agencies have scrutinised the potential for an organisation to increase branding. Many researchers have also compared the pharmaceutical industry to the FMCG industry; with similarities in the structure of the industries being investigated; along with differences in how branding has been implemented. However, limited research has been conducted regarding how the effect of an organisation implementing branding can represent the benefits of customer loyalty.

In terms of comparing the two industries in question the FMCG industry is further advanced in its implementation of branding than that of the pharmaceutical industry, as suggested by Moss & Schuiling (2004) stating "branding within the pharmaceutical industry is up to ten years behind that of the FMCG industry". Research has also been undertaken to identify the fundamentals in place for a similar outcome as suggested within Brand Strategy (2004). "peter Wilson, group marketing manager for Pfizer stated "we are focused on personalities for our brands and treating them like FMCG products, using a wide range of marketing techniques"". Brand, Strategy (2004) went further in demonstrating how branding within the pharmaceutical industry, and its relation to the FMCG industry has been put into practice by stating "Helen Williams of Schering Healthcare stated "more healthcare products are using FMCG and consumer marketing principles"". The above demonstrates the way in which pharmaceutical companies have realised that in order to achieve customer loyalty the FMCG industry model can be used. The need for changing the emphasis within the pharmaceutical industry is further acknowledged by Blackett et al (2003) suggesting: "The global pharmaceutical industry is experiencing change. As a result, pharmaceutical companies must embrace branding and marketing strategies to a greater extent than they have in the past". By taking the above into consideration then it becomes apparent whether the effect of branding within the pharmaceutical industry will result in a positive relationship with customer loyalty.

In the literature two elements are noticeable: firstly, research has been carried out mainly comparing the pharmaceutical industry to the FMCG industry, while not concentrating on the detail of the pharmaceutical industry. Secondly, no research has been conducted on the potential for customer loyalty; with no reference being made to researching the current satisfaction of offerings within the industry; with research undertaken just identifying the differences between industries that are present, with the emphasis in the pharmaceutical industry being placed on the product.

Subsequently, the overall aim of this study is to investigate the relationship between branding and customer loyalty within the pharmaceutical industry. Within this aim, there are three objectives: (1) To investigate consumer behaviour of pharmacists in relation to the direct and indirect effects of larger brands within the industry. (2) To understand the impact of increased branding and its relationship to customer loyalty within the pharmaceutical industry. (3) To investigate the level of customer satisfaction from current products/services within the industry.

Literature Review

Within the FMCG Industry brand loyalty is prominent; with the brand being at the forefront of the business, involving success factors (Tan, 2010), brand elements (Pearce, 2013) and brand images (Giesler, 2012). Other important aspects involve brand name (Klein, 2008), brand management (Kotler and Pfoertsch, 2006) and brand promise (Knapp, 2008). Even though there are significant differences in the way the industries operate, as suggested by Moss & Schuilling (2004) "there is no reason why the advantages of creating a brand identity and advertising this to the customer base could not apply to the pharmaceutical industry. From a company point of view, pharmaceutical products need to be differentiated from their competitors, especially now that product performance differences are getting smaller, as the competitive environment intensifies. It is also essential to create loyalty

among doctors and patients, especially now that competition is so tough and that in many categories generics are, or will be, present. Brand loyalty can generate revenues that are important to ensure cash flow for the firm. From a consumer point of view, doctors and patients are looking for quality and safety that a brand can bring. Successful brands also generate trust – a crucial aspect for the pharmaceutical products that have an impact on human health". This symbolises that if a brand can demonstrate these qualities then customer loyalty will follow similar to the FMCG industry.

With regard to brand loyalty within the pharmaceutical industry, Weinstein (2001) suggests "To achieve that loyalty/advocacy endpoint, executives need to integrate conventional and unconventional communication tools. The sales force plays a big role, but company-sponsored outside reinforcement--requiring more than a simplistic direct mail "customer relationship marketing" program--is also needed". This will entail working on marketable aspects already used within the industry, with at the present time, an organisation's sales force being the main tool.

Weinstein (2001) also elaborates stating "To feel affiliation with a brand and a sense of participation in a novel--even noble--medical trend, doctors need to experience constituency relations programs that cultivate a sense of community and to embrace a vision that goes beyond a product's features and benefits. That is particularly true in the United States, because its people often express their personal affiliations through the brands they purchase. US consumers buy items not only for their intrinsic benefit but to join a community of buyers with shared values. In the best case, that is what drives physicians to overcome price issues and support new products. They sense that "good doctors" want medications that benefit patients' lifestyles, reduce their risk of hospitalization and other treatment encumbrances, and go beyond the limited symptom control that low-priced alternatives deliver".

Perceived quality in general, is considered to be a determining factor in achieving brand loyalty, yet this is not apparent within the pharmaceutical industry as suggested by Schroff (2003) stating "if a drug is of inferior quality, it will not become a marketing challenge as the FDA will pull it from the shelves, consequently meaning, perceived quality cannot be seen as a benefit, but an embedded benefit".

Market Orientation is a complex entity at the best of times, when implemented to an industry like the pharmaceutical industry with many varying factors it becomes even more complicated, yet if used correctly, it can act as a competitive advantage enhancing performance, as suggested by Mesa & Lara (2006) stating "As a result of such exhaustive knowledge on patients, prescribers, financial contributors, competitors and trade channels, it becomes easier to anticipate market changes and consequently to generate an advantage over competitors". Mesa & Lara (2006) go on to suggest in relation to the innovation of market orientation linking to the pharmaceutical industry "even though not all competitors are able to apply this concept with equal success, Traditionally, the scientific literature has identified positive relations between market orientation and several issues related to innovation (rate of innovation, degree of novelty, etc). Besides the complexity of the innovation process, the pharmaceutical industry is characterised by competitor intensity 'for the market' and 'in the market'. The former implies that companies fight to be first to launch a new medicine for a certain disease. This allows them to benefit from the temporary monopoly and consequently guarantees them some extraordinary benefits (with medicines

that are an absolute novelty). The latter refers to the rivalry among businesses aiming at their product becoming the most utilised therapy for a certain problem of health (among several medicines that are relatively new). Theoretically, a market orientation concept successfully applied to the pharmaceutical industry would be able to drive the two types of innovation, radical innovations (medicines for new illnesses) as well as incremental innovations (medicines with better results in terms of health outcomes). But the complexity of the pharmaceutical R & D process and the scarce probabilities of the discovery of new molecules with superior therapeutic capacity, invites us to reflect. It is doubtful that a market oriented pharmaceutical company would improve the rate of development of radical innovations.

Research Methodology

Given the objectives, a questionnaire survey was used as the research tool, with a combination of sampling techniques, being a mix of convenience sampling and purposive sampling. Hair et al (2003) state "a questionnaire is a predetermined set of questions designed to capture data from respondents". As Collis & Hussey (2003) state "a questionnaire is a popular method of data collection", which reduces the time required to implement, combined with a low cost for each questionnaire, enabling the opportunity to increase the sample compared to other survey techniques. The questionnaire was sent to pharmacists in the UK with 38% in Wales, 44% in England, 14% in Scotland and 4% in Northern Ireland. To increase the accuracy (and number) of responses for the survey, a mixed method of distribution was used with the questionnaire being distributed in two ways, through a printed questionnaire, and simultaneously an e-mail sent with a hyperlink to direct each participant to a web-based questionnaire. The validity of the questionnaire form used was based on the fact that it was fairly standard when compared with other studies. Both qualitative and quantitative questions were included and these were aimed at providing data to answer the research aims and objectives, with particular focus on (i) the awareness of larger brands amongst pharmacists, (ii) what the main factors that influence pharmacists behaviour were, (iii) whether there is a high level of customer loyalty within the industry, (iv) whether there is a pattern between this achieved loyalty and increased levels of branding, (v) whether there is the general consensus of customer satisfaction within the industry, (vi) awareness of brands actively promoting within the industry, and (vii) cases in which brands fail to deliver brand promise.

The main reasoning behind the survey was to investigate the behaviour of pharmacists and the level of enticement that is present with the power of the larger brands. Since it was important to understand the impact that branding has on the industry, and whether pharmacists show loyalty to these brands, the questionnaire combined both qualitative and quantitative questions aimed at providing data to answer the research aims and objectives.

In order to ensure there were no errors within the questionnaire it was pilot tested on several occasions, after each time significant feedback was given for improvements to achieve the aims and objectives of the study. Due to the pharmaceutical industry being multi-cultural, there were participants from all backgrounds taking part, meaning the questionnaire needed to be easy to understand. The pilot testing was undertaken by a group of 7 colleagues (all of whom had experience within the industry and a high level of education). The final section of piloting was to ensure the data was automatically transferred into the database for analysis.

Through the questionnaire being distributed using a mixed mode of delivery, combining web-based and printed surveys, it was possible to reach a maximum target audience. By increasing the sample a true reflection of opinions was gauged in order not to miss out on a potential segment. The total sample size that responded to the questionnaire was 101, and these individuals, who were the targeted people for the survey, were pharmacists working within the pharmaceutical industry. The sample size involved 68 males (67%) and 33 females (33%), and the data showed the peak age of participants consisted of two categories – the 21-29 group, and the 30-39 group, which were over 50% of the respondents. Length of time in the pharmaceutical industry included under 1 year (9%), 1-3 years (18%), 3-5 years (28%), 5-10 years (18%), and 10+ years (27%).

Research Findings and Discussion

In general, the two areas in which respondents were most satisfied were price and quality. Over two thirds (67.3%) of respondents felt the standard of quality was excellent. Closely followed in terms of significant customer satisfaction was price; with 59.4% of responses stating that the price was of an excellent standard. These two activities with minor adjustments were at the top of the rating throughout every analysed demographic. At the other end of the spectrum, both brand values and delivery time were activities in which respondents seemed least satisfied, with only 11% of responses claiming the delivery time is to an excellent standard, and only 19.8% of responses claiming the brand values are to an excellent standard.

Out of all the demographics analysed regarding the performance, the one to have the most significant variance between the different options was the pharmacy size. Within the communication, for large (over 7,000 sq ft) pharmacies 60% of responses stated that actual communication was to an excellent standard, whilst for small (up to 3,000 sq ft) pharmacies only 20.5% of responses felt it was to an excellent standard. In regards to the comparison of average ratings, the average rating of communication for a small pharmacy was at 3.77, whilst for a large pharmacy it was at 4.50; this symbolises the different level of requirements for pharmacies of contrasting size.

As with the previous question, the two areas that stood out were price and quality. Price led the way with an average rating of 1.73, whilst quality followed with 2.34. One statistic that was just as impressive was the fact that 59.4% of respondents felt price was the most important activity; whilst 28.7% felt quality was the most important. For a sense of perspective; the third most popular choice was brand values with just 2%.

At the other end of the results there was information technology (I.T.) with 25.7% of respondents feeling this was the least important activity. The demographic with the most significant contrast in results was location; specifically regarding the activity of I.T. Within Wales 43.6% of respondents felt I.T. was the least important activity, whilst in England only 9.1% felt I.T. was the least important. In terms of the average rating for I.T., in Wales it stood at 6.82; whilst in England the average rating was at 4.77.

Conclusion

Although it would be strategically naive for an organisation within the pharmaceutical industry to purely base their branding strategy on the findings from this research study, it is clear that the fundamentals are in place for an organisation within the industry to

implement pro-active branding; if combined with the core processes of the industry delete; that are already in place. It is clear to see that there is opportunity for a brand within the pharmaceutical industry to change the emphasis of the way in which organisations are perceived within the industry. yet there is no quick fix, and, every brand, to be successful must utilise the powerful tool of having a knowledgeable sales force that can speed up the emergence of the brand. The practicality of this research has identified that there are brands that have realised the opportunities associated with increasing the presence of the brand within the pharmaceutical industry, and have reaped the benefits associated with putting this strategy into action. Even though there are significant similarities within the FMCG industry, it has also become apparent that certain market conditions have ensured the uniqueness of the industry is uncontrollable, within this nature, for a brand to truly prosper, as indicated from the findings of this research, it must build on the focus already in place, rather than attempt to shift the focus. The main focus within the industry will always be on the product, with branding strategies needing to support this aspect, as it has been recognised that the price and quality are the elements the target market seeks, combined with the tightening of all regulatory bodies within the industry.

Finally, it is important for the branding strategies of every organisation within the industry to realise that in order for branding to achieve customer loyalty; sustainability needs to be attained; as the industry is predominantly product based, purely having an advanced branding strategy will not be sufficient. For a brand to become profitable within the pharmaceutical industry, it must show what it can offer, how it can offer this and why it is unique. once these elements are communicated and branded in the correct manner, then and only then, will a coherent branding strategy lead to customer loyalty for a brand within the pharmaceutical industry.

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