Consumer Behaviour Towards Over-the-Counter Herbal Products in India

*Vani Nikhil Laturkar

Abstract

In today’s era, development of an appropriate and effective marketing strategy requires an assessment of the buyer in qualitative terms. This includes keeping a watch on the sources of information from where the buyer gets the knowledge about the brands, their frequency of purchase and the decision-making process of decision maker and satisfaction. A study of the buyer from all these dimensions is of paramount importance for it would make open the marketing implications and ramifications for the marketers. Basically it is the motivational mechanism that the buyer has develops in his mind towards various sets of products that counts a large. A deliberate consumer behaviour study helps the marketers to come out with right positioning strategies. It is to say that any effort to assess the market must include a keen and close analysis of what the buyer is in the market.

This study is about buying behaviour of consumer in relation to OTC herbal products in India. Like in any other product, consumer behaviour involves the psychological process that consumer go through in recognizing his needs, finding ways to solve these needs, making purchase decisions (e.g., whether or not to purchase a product and, if so, which brand and where), interpret information, make plans, and implement these plans (e.g., by engaging in comparison shopping or actually purchasing a product).

OVER-THE-COUNTER PRODUCTS

The over-the-counter (OTC) pharmaceutical market includes non-prescription medicines that are sold directly to consumers through pharmacies, drugstores, convenience stores and grocery stores. Most countries follow the ‘two-class system’ for the classification of medicines as prescription (Rx) or non-prescription (OTC). The OTC pharmaceutical market may be segmented into multiple categories such as analgesics, cold, cough and allergy, digestive remedies, traditional medicines, and vitamins and minerals. China, Brazil, Russia, India, Turkey and Mexico are the key emerging markets and have always been attractive markets for pharmaceutical companies looking for low cost manufacturing. The manufacturers have started realizing the growth potential OTC products too in these markets. In 2009, the global OTC pharmaceutical market witnessed a Y-o-Y growth of 4%, while the OTC market in emerging countries exhibited a Y-o-Y growth of 8%. Already the global OTC herbal market is more than US 50$ billion.

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There is now an ever increasing interest and demand for herbs and herbal products in the world over. The reason for this renewed interest of herbal products is attributed to the ever increasing evidence of the harmful side effects of modern synthetic products. The plant based products, also referred as botanicals, phyto-pharmaceuticals, herbal cosmetics, perfumes, condiments and confectionaries derived from natural products are now occupying a major share in the world trade and market. Demographic trends, lifestyles changes, growing economy, affordability and awareness about self medication are driving the OTC market in emerging countries. This increased number of Rx-to-OTC switches has also widened the market significantly. In fact, Rx-to-OTC switch signifies the change of status of a medicine from prescription to OTC. The pharmaceuticals industry is facing a major patent cliff, where patents for most of its blockbuster drugs are nearing patent expiry, has resulted in more product switches to OTC driving their sales and reducing competition from generics. Even the regulatory environment varies in each country, with Brazil, Mexico and Turkey moving towards more stringent guidelines for OTC distribution, while the regulations in India, China and Russia remain relatively liberal.

**Global Herbal Market**
The global herbal market and the industry both have been growing rapidly in recent years. This market, which includes OTC medicines, health supplements, herbal beauty and toiletry products, is estimated presently at around $65 billion, growing at a rate of 15 to 18 per cent per annum.

<table>
<thead>
<tr>
<th>Market</th>
<th>Size (US $ Billion)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>European union</td>
<td>28.0</td>
<td>45</td>
</tr>
<tr>
<td>Rest EU</td>
<td>2.4</td>
<td>4</td>
</tr>
<tr>
<td>Asian</td>
<td>10.8</td>
<td>17</td>
</tr>
<tr>
<td>Japan</td>
<td>9.8</td>
<td>16</td>
</tr>
<tr>
<td>North America</td>
<td>6.9</td>
<td>11</td>
</tr>
<tr>
<td>Others</td>
<td>4.1</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: CII report.*

This shows the huge potential for the industry, provided players comply with the stringent international norms and regulations. Today, herbal products enjoy great potential for export. The global herbal market is expected to grow to $5 trillion by the year 2050.

**Indian Pharma Market**
The total Indian healthcare market is estimated to be worth US $30 billion and includes pharmaceuticals, healthcare, medical and diagnostic equipment, and surgical equipment and supplies. Revenues from the healthcare sector account for 5.2 per cent of the gross domestic product (GDP) and it employs over 4 million people. Private spending accounts for almost 80 per cent of the total healthcare expenditure. The Indian pharmaceuticals market is typical in
the sense, that the pharmacist has a great control over brand availability. Hence, this market is a combination of over-the-counter and prescription (OTX).

The Indian pharmaceutical sector is emerging as one of the major contributors to Indian exports with export earnings rising from a negligible amount in early 1990s to Rs.29,139.57 crores (US$7.24bn) by 2007-08. The exports of Drugs, pharmaceuticals & fine chemicals of India have grown at a compounded annual growth rate (CAGR) of 17.8% during the five-year period 2003-04 to 2007-08. The Indian domestic pharmaceutical market size is estimated at US$10.76bn in the year 2008 and was expected to grow at a high CAGR of 9.9% percent till 2010 and thereafter at a CAGR of 9.5% till 2015. The global pharmaceutical exports to major exporting countries of the world in 2006 are presented in table below:

<table>
<thead>
<tr>
<th>Global Pharmaceutical Exports</th>
<th>(figs. in US$ bn.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>by Major Countries</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>44</td>
</tr>
<tr>
<td>Belgium</td>
<td>38</td>
</tr>
<tr>
<td>Switzerland</td>
<td>31</td>
</tr>
<tr>
<td>USA</td>
<td>29</td>
</tr>
<tr>
<td>UK</td>
<td>26</td>
</tr>
<tr>
<td>India</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Source: WTO

### Trends in Indian Pharmaceutical Industry

The Indian retail pharmaceutical market size is estimated at US$7.8bn in the year 2008 and is expected to grow at a high CAGR of 9.9 percent till end of 2010 and thereafter at a CAGR of 9.5 till 2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ bn.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>3.7</td>
</tr>
<tr>
<td>2003</td>
<td>4.1</td>
</tr>
<tr>
<td>2004</td>
<td>4.7</td>
</tr>
<tr>
<td>2005</td>
<td>5.3</td>
</tr>
<tr>
<td>2006</td>
<td>6.2</td>
</tr>
<tr>
<td>2007</td>
<td>6.9</td>
</tr>
<tr>
<td>2008</td>
<td>7.8</td>
</tr>
<tr>
<td>2009</td>
<td>8.7</td>
</tr>
<tr>
<td>2010</td>
<td>9.9</td>
</tr>
<tr>
<td>2011</td>
<td>11.1</td>
</tr>
<tr>
<td>2012</td>
<td>12.2</td>
</tr>
<tr>
<td>2013</td>
<td>13.4</td>
</tr>
<tr>
<td>2014</td>
<td>14.6</td>
</tr>
<tr>
<td>2015</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Source: EIU Report, Data monitor, primary interviews, Deloitte Consulting LLP Analysis.
Indian OTC Drugs

‘OTC Drugs’ simply means drugs legally allowed to be sold ‘Over the Counter’ by pharmacists, i.e. without the prescription of a Registered Medical Practitioner. Currently, non drug-licensed stores (e.g. non-pharmacists) can sell a few medicines classified as ‘Household Remedies’ listed in Schedule K of the D&C Rules in villages whose population is below 1000 subject to certain other conditions. OTC drugs registered as ‘Ayurvedic Medicines’ (i.e. traditional Indian system of medicines containing natural/herbal ingredients) are also regulated by the DCA and DCR. Ayurvedic drugs are manufactured under a manufacturing license issued by the Ayurvedic State Licensing Authorities. However, they do not require a drug sale license and can be sold freely by no chemists. Some of the largest OTC brands in India are registered as ‘Ayurvedic Medicines’ because of their plant-based natural active ingredients (e.g. Vicks VapoRub, Amrutanjan Pain Balm, Zandu Pain Balm, Iodex Pain Balm, Moov Pain Cream, Itch Guard Cream, Eno Fruit Salt antacid, Vicks Cough Drops, Halls Lozenges, Dabur’s Pudina Hara etc.). Considering the above framework, key categories with OTC potential in India would be: vitamins and minerals; health tonics, cough and cold; gastrointestinal; analgesics; dermatological; herbal/ ayurvedic medicines which do not contain any substance listed.

Indian OTC Market

India currently ranks 11th in the global OTC market size. It is estimated that it will reach 9th position within five years. Currently the Indian OTC market (i.e. advertised non-prescription medicines) is estimated to represent approximately USD 1,793 million (euro 1 310 million) with an annual growth rate of 23%.

<table>
<thead>
<tr>
<th>Main self-medication product groups</th>
<th>(Sales in US$ mn-MSP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>2005</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>OTC sales - India</td>
<td>1243.4</td>
</tr>
<tr>
<td>Analgesics</td>
<td>178.8</td>
</tr>
<tr>
<td>Cough, Cold &amp; Allergy</td>
<td>227.2</td>
</tr>
<tr>
<td>Gastrointestinals</td>
<td>231.4</td>
</tr>
<tr>
<td>Vitamins, Minerals &amp;Supplements</td>
<td>447.1</td>
</tr>
<tr>
<td>Dermatologicals</td>
<td>144.1</td>
</tr>
<tr>
<td>Lifestyle OTCs</td>
<td>14.8</td>
</tr>
</tbody>
</table>

Source: Nicholas Hall & Company, India, DB6 2009 – 1US$ = INR 46.54

The Survey Results

The big issue in OTC marketing is not the ‘switch’ climate as currently even drugs which do not require a prescription are promoted via the doctor because of following reasons:

(a) Marketing through medical representatives is less expensive than mass media advertised marketing. This makes that OTC medicines are higher priced than the
equivalent medicines promoted ethically.

(b) Practically all Rx drugs can be purchased without a prescription.

(c) Doctor’s influence is strong in patients’ purchase behaviour (d) Distribution of allopathic

OTC medicines are limited to drug licensed stores (mainly pharmacies). Review of literature also revealed that OTC drugs require no pharmacists’ consultation for selling. However, an active role and responsibility of pharmacists in promoting self-medication plays a vital role in this market. For finding out the facts more accurately, a survey among doctors, medical shops and consumers on OTC medicines was conducted with 752 sample respondents (11.4% of total research population) consisting of Doctors, Medical shopkeepers and present consumers in Marathwada region of Maharashtra state. The sincere attempt of present study was to present some useful and interesting information pertaining to consumer behaviour for herbal Ayurvedic products in Marathwada region. It was considered necessary to evaluate present status of herbal Ayurvedic products and scope for the same as revenue generator for India. A good deal of information concerning demographic profile of users, behaviours and perceptions towards various products categories, brand loyalty, influencing factors herbal Ayurvedic products was collected and presented in the study.

The survey revealed that Indian consumers confidently self-treat a wide range of common ailments such as cough, cold, fever, pain and sprains, heartburn and diarrhoea. When suffering from an ailment, consumer behaviour trend is either to go to the pharmacist (45%), go to the doctor (24%), have self-medication (23%) or take no medicines (9%). The other details of the survey are discussed below:

1. Perception towards its effectiveness: In order to understand the perception of respondents in comparison to other forms of products like unani, allopathic and homeopathy, question about perceived effectiveness of herbal OTC product used was asked through questionnaire.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Herbal products are as effective as other products</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Male</td>
<td>446 (59.3)</td>
<td>59 (7.8)</td>
</tr>
<tr>
<td>Female</td>
<td>222 (29.5)</td>
<td>25 (3.3)</td>
</tr>
<tr>
<td>Total</td>
<td>668 (88.8)</td>
<td>84 (11.2)</td>
</tr>
</tbody>
</table>

(Source: Field survey)

From the table it is clear that 446 (59.3%) male consumers and 222 (29.5%) female consumers agreed that ayurvedic products are as effective as other forms, while 59 (7.8%) of male and 25 (3.3%) of female consumers did not agree with this view. In all 668 (88.8%) agreed on effectiveness while only 84 (11.2%) did not agree with this view. It indicates that consumers who are using Ayurvedic herbal products in some form or other are convinced about its effectiveness and efficacy.
2. District wise classification of respondent’s based on users in family: The user of herbal Ayurvedic products in a household gave a more clear idea about the consumption in a family as the usage depends upon needs and requirements at different stages of lifecycle.

### Table 6

<table>
<thead>
<tr>
<th>Users in family</th>
<th>District-wise no. of users in Marathwada</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Auran-</td>
</tr>
<tr>
<td>Children</td>
<td>14</td>
</tr>
<tr>
<td>Wife</td>
<td>33</td>
</tr>
<tr>
<td>Husband</td>
<td>6</td>
</tr>
<tr>
<td>Elders</td>
<td>23</td>
</tr>
<tr>
<td>Everybody</td>
<td>51</td>
</tr>
<tr>
<td>Total</td>
<td>127</td>
</tr>
</tbody>
</table>

Source: Field survey

From the Table it is clear that out of the respondents of 752, about 58 (7.7%) of the respondents said children used ayurvedic products, 143 (19%) said wife was the user, 61 (8.1%) said husbands were using it, 130 (17.3%) said elders are using it and 360 (47.9%) said everybody in the house was using it. Except husbands and children the usage is good among other members of the household. The researcher feels that the usage varies across different age groups for herbal Ayurvedic products. Marketers can target different products at different age groups by using used based segmentation in consumers instead of having strategy for selling products on mass basis.

3. Preference of respondents for cold and cough relief remedies: Cold and cough relief remedies being one of the most popular OTC drug in India, the questionnaire focused on it specifically.

### Table 7

<table>
<thead>
<tr>
<th>Gender</th>
<th>Whether Cold &amp; Cough relief remedies used?</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Male</td>
<td>385</td>
<td>120</td>
</tr>
<tr>
<td>Female</td>
<td>173</td>
<td>74</td>
</tr>
<tr>
<td>Total</td>
<td>558</td>
<td>194</td>
</tr>
</tbody>
</table>

Source: Field survey

Note: DF = 1, LS = 0.05, X2 = 3.328, P = 0.068

From the above table it can be noticed that 385 male and 173 female respondents did not prefer to use cough relief remedies at all, which means that 558 of the respondents have
never attempted to try or use cough and cold relief remedies. The usage by males was approximately two times more than females. The computed p-value of 0.068 is greater than 0.05. Thus it can be concluded that there is a significant relation between gender of respondents and their purchase behaviour with respect to cough relief remedies.

4. Respondents’ Criteria Before Making A Purchase: To find out the criteria’s on which the consumer’s decisions are based, question was asked and the results are given below:

Table 8

<table>
<thead>
<tr>
<th>Gender</th>
<th>Criteria for assessing product before making a purchase decision</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company image</td>
</tr>
<tr>
<td>Male</td>
<td>278</td>
</tr>
<tr>
<td>Female</td>
<td>94</td>
</tr>
<tr>
<td>Total</td>
<td>372</td>
</tr>
<tr>
<td>Rank</td>
<td>I</td>
</tr>
</tbody>
</table>

Source: Field survey

From the table it can be seen that there are 505(67.2%) male and 247(32.8%) of female respondents. The influence on decision-making in male consumers was highest of company image 278(55.1%) followed by easy availability 97(19.2%), brand image 80(15.84%), price of the products 27(5.34%), convenient packaging 15(2.97%) and free gifts/coupons 8(1.58%).

While in case of females consumers the influence on decision-making was primarily from company image 94(38.05%), easy availability 51(20.65%), price of the product 50(20.24%), brand image 24(9.72%), convenient packing 17(6.88%) and free gifts / coupons 11(4.45%). However in both the genders the influence is most from company image followed by easy availability, brand image, price, convenient packing and lastly from free gifts/coupons. The difference between male consumers and female consumers is that male consumers give preference to brand image while female consumers give preference to easy availability, brand image, price, convenient packing and free gifts/coupons. The researcher feels that today the consumers get a vast variety of products and choices, prices and suppliers. They act within the bounds of limited knowledge, mobility, income and search costs. Customers would buy products of only those firms that they perceive offers the highest customer delivered value. Companies must manage their core processes effectively to match consumer’s expectations.

5. Respondents Brand Loyalty: The alternative decision taken in case of non-availability of the selected product was also checked.
Table 9

<table>
<thead>
<tr>
<th>Gender</th>
<th>If preferred brand is not available in retail shop then</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Try another brand</td>
</tr>
<tr>
<td>Male</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>(11.28)</td>
</tr>
<tr>
<td>Female</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>(8.91)</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
</tr>
</tbody>
</table>

Source: Field survey

In case of preferred brand is not available then male population would prefer to go to another shop 340, postpone their purchase 82, try another brand 57, drop their purchase idea 26 on the other hand in case of female consumer they would go to another brand 22, drop their purchase to try herbal Ayurvedic products. However both the genders exhibit same tendency in terms of brand loyalty, as they would like to go for another shop to buy their brand and most of the time drops their purchase temporarily till their brand is available. The researcher feels that marketers need to develop deep set positive association for the brand. For a brand name to be carefully managed, companies continuously need to maintain or improve brand awareness, perceived quality, functionality and positive associations.

**FINDINGS**

From the review of literature and survey conducted it is observed that there is a significant behavioural pattern exhibited by consumers of herbal Ayurvedic products.

1. Preferences and consumptions of various herbal product categories is strongly is influenced because of changing socio-economic structures and functioning of society. Social learning and diffusion of products, with socially diffused opinions is determining the choices of herbal OTC products.

2. Usage of these products in various conditions is because pre-existing distinct and codified cultures affected by cultural assimilation of religion, norms values, social codes and social structure. Similarly, norms of conduct as well as consumption are fairly codified and distinct, and affect preferences even when there is change in individual's environment or region.

3. The consumer's criteria for making purchase depend upon those firms who would offer the highest perceived customer delivery value.

4. Consumers get more influenced primarily because of advertisement on T.V/ other media followed by advise of family relatives and friends and lastly by retailer.

5. Consumer who are brand loyal to a particular herbal Ayurvedic product go to another shop if the product is not available or would temporarily drop their purchase decision.

6. There is strong misconception among consumers that herbal Ayurvedic products are as good as medicines.
7. Users of these products always prefer making their purchase decision based on the company image of the purchasing product.

8. Repeat purchases are because of habit of usage, non liking of other brands or under consideration that all brands are same.

9. The perception of consumers using these products is that they are natural and side effect free. Changed lifestyle and stress levels have motivated them to prefer herbal products. They however, prefer to use them only in acute conditions and not in chronic conditions.

10. Education and media has played an important role in influencing their decision-making and purchase behaviour and the usage varies across different age groups.

**RECOMMENDATIONS**

1. The companies targeting various consumers should consider various demographic, physiological and socio-economic factors before devising their marketing strategy.

2. Formulation of strategy should be based on proper understanding of needs and gaps existing market place.

3. While in first time influence, marketers should consider factors like type of people they intend to reach, costs, information processing requirements and qualitative factors.

4. The consumer today has become aware of side effects of allopathic products on long term usage and subsequent consequences. Marketers should design their strategy around this aspect in promoting their products. Example: Himalaya Drug Company has been creating awareness among public by placing leaflets about the goodness of Ayurveda in twelve regional languages across the country.

5. The company’s must decide on how many differences to promote to its target customers. Each brand can select an attribute and tout itself as ‘number one’ on that attribute. However increased claims for a brand may result in risk of disbelief and loss of clear positioning.

6. Marketers need to take correct decision about products and brand to succeed in marketing plan; they must consider important issues related to product mix, product length, and brand equity and brand strategies. Companies must continuously work with customers to discover new ways to perform better and come out of traditional mindset of basic marketing.

7. The aspect of naturalness can always be used for positioning the product highlighting the side effects of modern medical products.

8. Marketers need educate consumers with proofs of successful testimonials from consumers who have been treated with products even in chronic conditions. Companies need to maintain database of such customers in order to change and try perception of other customers.

9. Exposure to various media is influenced by consumers’ education levels. Companies can use education as the basis for segmenting the markets in understanding the consumption and media habits of consumers for devising their marketing strategy.

10. Marketers can target different products at different age group by using usage based segmentation in consumers instead of having strategy for selling products on mass basis.
DIRECTIONS FOR FUTURE RESEARCH

This study is expected to stimulate similar research studies in other products of pharmaceutical industry. Even future research could be carried out comparing consumer behaviour for users and non-users, because this study concentrated only on users of herbal market. Since India is part of WTO and GATT, studies about implications of the same on Indian herbal industry could be explored. As this study was only confined to consumer health care, future studies could be carried out for Consumer Behaviour in Nutraceuticals and Animal healthcare products.

It is worthwhile to mention here that with a strong heritage of Ayurveda and related medicines, the usage of home remedies is quite high in Indian households. In fact, more than 30% of the time Indian consumers use home remedies. Major usage of home remedies is found in cough, cold, heartburn and indigestion categories. The OTC Committee of the Organization of Pharmaceutical Producers of India (OPPI) is working towards the promotion of responsible self-medication with a view to grow the OTC sector. It is aiming to get regulatory support for issues such as the accessibility of household OTC remedies and increasing the awareness of the importance of responsible self-medication with the general public and the Government. The days are not far when consumers of OTC products will catch high attention of manufacturers and marketers in the world.

REFERENCES


Arathon, Marion (1999). Its same world after all, Brand Equity, October 6th.


