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# Management Challenges in Diacon Pharma after restructuring divisions on the basis of Speciality Drug Segments – A Case Study

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## *Abstract*

*Most of Pharma companies are creating divisions for their speciality drug segment. Psychiatry, Cardiac and Diabetic are evincing high growth in the Pharma Industry. This is because when product patent gets implemented, MNCs search for partners in India and look for those companies which have a speciality division. Having a speciality division ensures a good and dedicated field force, prescription base and entrenched set of brands and coverage.*

*Diacon in 1996, created a Speciality Division having Cardiac, Diabetic and Psychiatry categories which were to be looked after by the separate field force. Till Feb 2000, Karan Munjal, Nripesh Bhatia were looking after all the three segments (Diabetic, Cardiac and Psychiatry) in the speciality division in their territory . In November, 2002 cardiac was created as a separate division and soon to follow was psychiatry in April, 2003.*

*With the separation of Psychiatry division from its speciality division in Diacon, the responsibility of covering Psychiatrists at Lucknow, Kanpur, Faizabad was given to Rakesh Kabir who was stationed at Lucknow. While the responsibility of detailing and meeting Psychiatrists at Kanpur, was with Rakesh, the targets of Psychiatry division had to be achieved by Karan and Nripesh. Same was the case in other territories. This created resentment among above two ABM on these issues. The case further delves into the problems arising out of restructuring process at Diacon pharma.*

## **Introduction: Diacon**

Karan after completing his diploma in Marketing Management joined Diacon Pharma in 1999. In 2002, gross sales of Diacon was Rs 1200 crores registering an increase of 20% over the previous financial year. Operating profit for the same year was 200 crores & grew by 37.2% over previous financial year. While total formulations of domestic drug companies grew

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by 18.9%, formulation business of the Diacon outperformed industry through 2002-03 at a time when industry's growth was sluggish. For the company, most of the growth came from new product launches. The erosion in the price was offset by growth in volumes. Companies' aggressive new launches and focussed efforts helped in evincing high growth in lifestyle segments though this caused less their exposure for segments like anti-infective (represents antibiotics). The Cardio-Vascular, Neuro-Psychiatry, Oncology (study of tumours) and Anti-Diabetic segment constitute the fastest growing therapeutic areas in the Pharma market. These four segments put together comprises 34.4% of Diacon's portfolio in 2003 against 22.2% in 2002.

### Era of Specialities

Psychiatry, Cardiac and Diabetic is evincing a high growth in the Pharma Industry. Most of the Pharma companies are creating divisions for their speciality drug segment. In 2005, perception was that once GATT comes and patent laws gets implemented, MNCs would search for the partners in India and look for those companies who have a speciality division. Having a speciality division ensures a good and dedicated field force, prescription base and entrenched set of brands and coverage.

Diacon in 1996 created a Speciality Division having Cardiac, Diabetic and Psychiatry categories which were to be looking after by the separate field force. Till Feb 2000, Karan Munjal, Nripesh Bhatia were in charge of all the three segments (Diabetic, Cardiac and Psychiatry) in the speciality division in their territory. In November, 2002, Cardiology section was separated a division and soon to follow was psychiatry in April, 2003.

It is said in Pharma Industry - for any division to succeed, it should be successful in the state like U.P. which should accounts for 16% share of sales of a company. Diacon, after conducting pilot project for psychiatry range in Mumbai and Pune, expanded its functioning all over the nation. The company selected certain nodal points where separate ABMs (Area Business Manager) were to handle territory with their team consisting of 3-4 TMs.

### Reference Market

Diacon, over the period has developed good equity with the Physicians. These are Doctors who are M.D. by qualification. Good volume of prescription emerges comes from general physician during the initial stage of any psychiatry patient. Later on, on the seriousness of the problem the patient is referred to Psychiatrists. Diacon psychiatry range gets good support from such Physicians.

Patients in India, specially in metros have evolved to the level that they now prefer to go to specialists than general physicians. E.N.T., Cardiology, Diabetology are thriving on this upcoming, evolved and more conscious patient groups. Physicians in most of cases, except mild depression, refer patients to Psychiatrists. Psychiatrists generally prescribes medicine from six months to one year. Company gains substantially from such high value prescriptions. Psychiatrists generally don't change the brand as it many times relapses the attacks if the brand is changed.

### Psychiatrist

Psychiatrists are known to be the most inflated lot of doctors. Their uniqueness stems from the fact that students who score highest in MD get an opportunity to do MD Psychiatry. However, it is difficult to find the successful Psychiatrist who can just be counted on fingers. Moreover, modern day's stress and strain, growing expectation from life, cut-throat competition, brittle relationships have resulted into people suffering from depression. Thus, the need of the expert Psychiatrist has increased. Generally, major cities have good psychiatrists.

Table: 1

Type of City	Avg. no. of Psychiatrist
Major Metros	90 – 110
Metros	50 – 60
City	20 - 30

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Sulking Spirit in Diacon after Division into various segments

With the separation of Psychiatry division from its speciality division in Diacon, the responsibility of covering the Psychiatrist at Lucknow, Kanpur, Faizabad was given to Rakesh Kabir, who was stationed at Lucknow. While responsibilities of detailing and meeting to the Psychiatrist was given to Rakesh, the targets of Psychiatry division had still to be achieved by Karan and Nripesh at Kanpur. Same was the case in other territories. This created resentment among the two TM (Territory Managers) on the issue meeting targets.

Rakesh was given the responsibility as he had the experience of handling the psychiatry product while he worked in the speciality division. When the separate Psychiatry division was created, new salespersons were not brought in because of higher cost involved in recruiting and training them. Other than time consumed in training them, new recruits take time to acclimatise to the work culture of a new company and moreover there was no guarantee that they would not leaving the job. Moreover, if the division for some reason does not clicks, it becomes difficult to remove so many employees at the same time. To tackle this situation, the company made internal transfer as their best choice. The surplus salespeople from other territory were posted in their current place of operation. Those unviable headquarters (Farukhabad, Devas and Gaya) were closed, salespersons from these places were asked to handle new division.

In the hyper-competition era, it has been observed that in the pharma field, doctors prescribe the company's brand because of the relationship with salespersons of the company. The moment he leaves the territory and a new salesperson steps in, Doctor starts obliging salesperson of some other company. Thus for a such transition phase, the company asks for the back-up from the old salesperson so as to avoid any nosedive in sales in that territory. Rakesh exploited this situation. Knowing the circumstances that Nripesh and Karan were responsible for the targets, he started avoiding them and instead, started doing ground works in Kanpur and Faizabad.

In Diacon, at least for five years, Cardiology, Psychiatry and Diabetology were under one speciality umbrella. Then TMs(Territory Managers) generally targeted general Physicians as they use to prescribe drugs for all three categories. On the other hand, companies dealing in super-speciality drugs, enjoy reputation with specialist doctors. Transition from speciality to super-speciality segment demands TMs to shift from Physicians to Specialists. But as of now, Diacon had a good share for its molecule brands with the Physicians.

Nripesh and Karan had the grouse that if their general physicians obliged them writing four diabetic and one psychiatry prescription then somebody else's target cannibalised their targets. So in the process, they get hit in two ways, first by helping Psychiatry division to achieve their targets and second by killing their own division's target.

In such a situation, Karan decided to switch off his mobile. Since one month, when psychiatry division was separated, his Doctors kept calling him for one or the other favour. As his belief has been "Promote relationship, business will automatically follow", whether he is in Doctors cabin, or in a restaurant or club. He keeps them in revelling mood. He is popular among the Doctors community as the full blown entertainer. However, since last one month rapidly changed events has made him to avoid entertaining Psychiatrists.

### **Metamorphosis of Targets**

Four to five years back, targets were based on total instead of achievements of the productwise value. One had to meet his final figures only. Budgets earlier were 3 to 4 lacs between two TMs in the city like Kanpur and one was free to achieve it either through single product or through a product mix. Schemes and deals were formulated and then the product mix was such that it could be prescribed by any class of doctors. Now focus has shifted on the product target along with total targets, new launches and more refined ways of working with doctors. Therefore, the product mix was such that it could be prescribed by a specific class of doctors. Inputs, deals, schemes are no more heard of in the company. CRM has become the new way of working. Targets were now 11 to 12 lacs because of mergers, acquisitions and new launches in the recent months.

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Diacon now uses more scientific method of target setting which is based not only on the potential of the market but also on the potential of the molecule in any territory. There has been steep increase in the targets in the last one and a half year.

Depending upon the profile of the doctors, TMs have the authority of deciding names of the potential doctors for CRM programmes and other promotional investments. TM can decide upto Rs 5,000/- for investments(per month) and above this requires approval from ABM and Head Office. There are two heads for investments, a) CRM and b) Promotional Investments. CRM is done for those doctors who value more than Rs 15,000/- per month. These investments are made and claimed by ABMs. Promotional Investments are made and claimed by TMs as and when required depending upon needs of doctors. These are generally small expense items such as movie tickets, phones, sim cards, train tickets, CDs etc. These are done so as to build the relationship with doctors prescribing a number of brands with mediocre performances.

### **Kapil the tyrant**

Karan & Nripesh were not able to achieve their targets first time in the last month. Failing to achieve one's targets in sales is one aspect, but defending oneself in sales meetings before higher-up is another. As the next sales meeting was inching, the proceedings of last month's meeting flashed in Karan's mind.

### **Flashback**

The uproar subdued as Kapil entered the meeting room. This was second time in the month that the meeting was called by him in the view of his ABMs lagging behind their targets since last four month while there were 75% increase in targets at all levels of the company's sales targets. Everybody down the line in the sales rank has conjured up his image as more of a tyrant than a modern day manager. He has moved up from ABM to National Sales Manager just in a span of two years

Before the meeting, some experienced ABMs were talking about his strategy which they thought as a shrewd move to climb up in the ladder. To one such

source, Kapil once shared his mind what one needs to be promoted, is to do unbelievable performance. All it requires is to be brutal to achieve the target by 60 to 80 percent increase in sales. To get the performance from the sales force by any means, don't entertain any reason or any excuses. If your sales force says that targets are unachievable, don't give ears to any of their arguments. Never try to convince: just order to get targets done even if you seem to be the most foolish. In this process, even if you have to fire some of them, fire them, after all they are not your relatives or friends, don't be emotional. Once you achieve the target, the company will surely want to promote such people who established new benchmarks which subsequently could be followed in other territories. Now release the pressure for next two years. How much sales could come down from the level of 75%? Everybody would forget your oppression. The new salesman who replaced the fired one, will never believe what others would tell them. Repeat the same thing in the third year, once again climb up the ladder. If this doesn't work out for you, shift to another company.

After initial exchange of greetings, everybody sat with pounding heart. It was not the first time, they sat in this cosy hall of three star Aryan. Nobody was comfortable even in three star hall. It was like sitting in the slaughterhouse for them. Over the period of time, somehow they have been able to survive, but today it seemed to be impossible. Each team of TMs was sitting with their ABMs.

Meeting began and as expected everybody was been grilled on two issues i.e. 180% target and new responsibilities emerging out of the creation of new Psychiatry division. Karan sat in the left corner of the hall, waiting for his turn. An hour seemed like a year to him, he was thinking about various possibility of what would be asked and how he would reply. Finally his turn came. The end seemed to be very near for not able to achieve the target.

*Kapil, the National Product Manager of Diacon Pharma, gawled at him -*

**Kapil:** *Yes, what's the reason, why you are were not able to meet the target.*

**Karan:** *Sir, as you know we are no more meeting Psychiatrists. As per latest changes, Rakesh is to visit*

them and huge deficit in the target is because of short fall of the target sale of Psychiatry products.

**Kapil:** Agreed that you are not meeting Psychiatrists anymore. (Taking out the ORG of Kanpur, putting it on the table). Kanpur gets major support from Physicians; do you agree?

**Karan:** Yes, Sir.

**Kapil:** (asks commandingly, in higher pitch). You know, Anotril, our major brand in Psychiatry range is a big shot in Kanpur

**Karan:** Yes, Sir.

**Kapil:** Who made it?

**Karan:** Psychiatrists

**Kapil:** (started fuming over Karan) I think either you are telling lie or ORG report is false. It is reporting that bulk of sales comes from general Physicians. You agree that you have a very good rapport with physicians.

**Karan:** Yes, Sir.

**Kapil:** Then, why you don't ask for business from them? Agreed that you are not meeting psychiatrists anymore. How many Physicians you have in your list?

**Karan:** Sir, hundred.

**Kapil:** How many of them have good practice?

**Karan:** Sir, forty.

**Kapil:** With how many of them you have a very good rapport ?

**Karan:** Sir, about twenty five.

**Kapil:** And, how many patients they see ?

**Karan:** Sir, thirty

**Kapil:** (in anguish he asked) Thirty,... Is he really a doctor? Does he really practice or not? When do you visit him? Once in a month,... You must be visiting early morning or at night (started rattling). Must be going after the night show when he must be closing his clinic. You say he is a good doctor; what damn good is about him! Now just tell me the truth or you are out !

**Karan:** Sir, actually in some of the cases, it is fifty.

**Kapil:** Very easily you have come to the point. He must be seeing at least few of depression or associated cases.

**Karan:** Not many Sir, only few.

**Kapil:** What are you talking Mr. Karan. (with the loud bang on the table) See, I am telling you I am neither from any of the IIMs nor I am an MBA, but I have toiled hard in the field for ten years. The patient of depression, at the first instance, goes to the Physician (literally shouting).

**Karan:** Yes, Sir.

**Kapil:** Then, why you were not admitting. Now you agree the patient of migraine or depression goes to general physicians? And in which area the most of our brand are ?

**Karan:** Migraine and Depression? Sir, we ask them, but they refuse and advise us to go to the Psychiatrist for voluminous prescriptions. They say they cannot provide this much of prescriptions for Psychiatric drugs.

**Kapil:** Then, why you don't go to Psychiatrists. This is all because you don't work in that field. You work on papers. If he is your good customer, then in any case, he should take you out from the problem which you are facing right now. I don't want excuses, I want results. Ask them, what they want to have from the company. **and the debate continued.....**

### Conclusion

Diacon, a market leader in the Pharma industry, registered sales growth of 20% and increase in operating profits by 37.2% in 2002. In view of new patent laws of changing from the process to product under WTO, the pharma industry in India perceived a high growth trajectory for themselves. Diacon in order to make good of the opportunity, intended to restructure its speciality division into three different segments such as Cardiology, Diabetology and Psychiatry divisions. This necessitates of relocation of sales forces and redistributing divisions among ABMs. Sales business in Pharma industry is carried through long term relationships between ABMs and Doctors. Division of three speciality segments created problems due to competitive target fixing of newly created division, one hand and total target achievement. ABM having strong reputation with psychiatrists were now responsible to work with physicians. This led to the failure to achieve target sales of psychiatric drugs thus bringing down the total sales target. Dissatisfaction of National Sales Manager regarding short fall of target sales posed problem of marketing management. Handling the situation by him created resentment among A B M S.

#### Exhibit 1

##### Job Profile of Territory Managers

- 1) Do various activities for brand recall and recognition.
- 2) Impart scientific knowledge to doctors about their products and clarify their doubts.
- 3) Responsible for targets.
- 4) Launch brands and ensure sales through doctors. Breaking tough customer (doctors) through various customised activities and ensuring business from them.

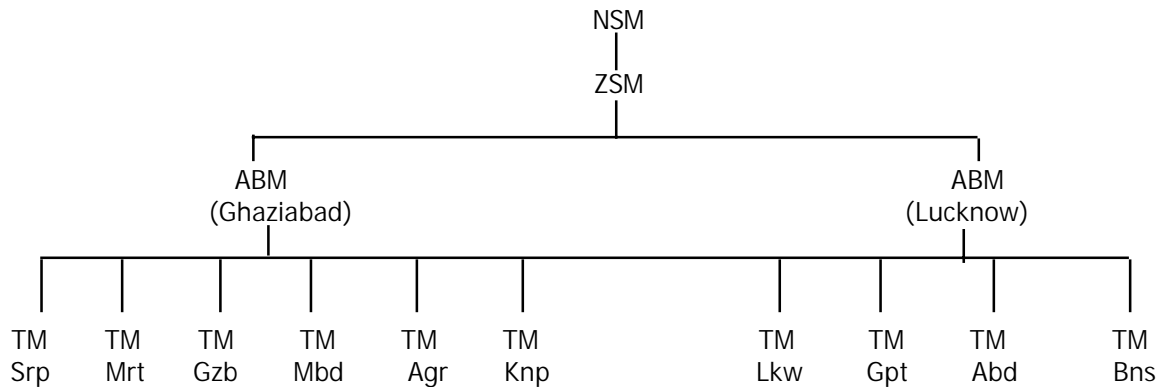
Table: 2

**Targets for Nripesh & Karan (last 12 months)**

Month	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	June	July
Targets (in lacs)	4.10	4.68	5.50	5.00	5.75	6.20	6.5	7.68	8.04	9.50	10.25	11.30

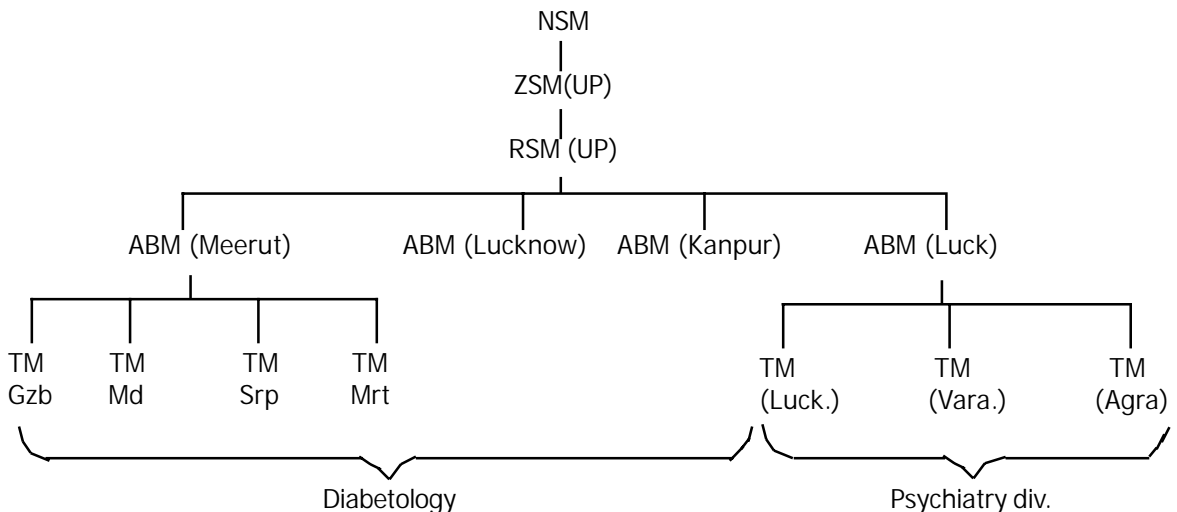
**Exhibit 2**

**Sales Structure of Super-Speciality Division (in 2001)**



Srp - Saharanpur, Mrt - Meerut, Gzb - Ghaziabad, Mbd - Moradabad, Agr - Agra, Knp - Kanpur, Lkw - Lucknow, Gpr - Gorakhpur, Abd - Allahabad, Bns - Benaras

**Sales Structure of Super-Speciality Division (in 2003)**



NSM - National Sales Manager  
 RM - Regional Manager  
 ABM - Area Business Manager  
 TM - Territory Manager

In Psychiatry division TM (Luck.) looks after Faizabad and Kanpur, TM (Varanasi) looks after Allahabad and Gorakhpur, TM (Agra) looks after Meerut and Jhansi

**Note:** With the change in sales structure as ABM, Ghaziabad was transferred as ABM, Kanpur. TM, Meerut being senior one was promoted as ABM, Meerut.

**Table: 3**

## Therapeutic Areas

TAs	Company Sales		ORG-MAT March – 03		
	FY03	Growth %	Market Growth %	Diacon Growth	Diacon Market Share
CVS*	920.2	44.7	12.6	13.3	7.3
CNS**	828.5	17.2	13.2	15.4	6.2
Anti-	342.6	28.8	21.3	23.2	4.2
Diabetic	4123.4	19.4	13.0	14.3	19.0
General Products					

\*CVS – Cardiovascular System(Cardio), \*\*CNS – Central Nervous System(Neuro Psychiatry)

**Table: 4**

## Field Force

SBU	Therapeutic Area	FY03	FY02	FY01	FY01
Main Division	General Medicine Orthopaedic Respiratory Paediatrics	1,232	982	1,062	1,034
Cardex	Cardiovascular	324*	162	CVS was under Extra Care	
Extra Care	Neuro-Psychiatry Diabetology	290	290	253	245
		1,596	1,434	1,315	1,279

\*Sudden increase in field force due to merger of Cardicon Pharma

Table:5

## Deep Prescription Strategy

	2003	2001
No. of Cardiologist	20	20
No. of Psychiatrist	14	14
No. of Neuros	06	05
No. of General Physician	27	60
No. of Physicians	190	60
No. of Diabetologist	03	03
<b>No. of Doctors Covered</b>	<b>260</b>	<b>302</b>

Table: 6

## Product Line (2002)

	Brand	Categ -ory	Physic ians & GPs	Diabeto -logists	Cardiol -ogist	Psychiatrist & Neuros
1.	RMSO	C	√ ↓		√ ↑	
2.	Palatrin	C	√ ↓	√	√ ↑	
3.	Cepalip	C	√	√ ↑	√	
4.	Nord	All	√ ↑	√	√ ↑	√
5.	Vizart	P	√		√	√
6.	Anotril	P	√	√ ↑	√ ↑	√
7.	UO 3	All	√		√	
8.	Cadiarest	C	√		√	
9.	Sarvetred	C	√		√	
10.	Denopril	C	√		√	
11.	Anadrot	D	√			
12.	Unopoze	D	√			
13.	Glucoton	D	√		√	
14.	Ridrium	P	√ ↑			√ ↑↑
15.	Calopar	P				√
16.	Pilmer	D	√		√	
17.	Glutormin	D	√	√		

C-Cardiac, D-Diabeto, P-Psychiatry, ↑ - More support, ↓ - Less support  
 √ - where doctors support for the drug is needed



**Table: 6**  
**Product Line (2002)**

	Brand	Categ-ory	Physic-ians & GPs	Diabeto-logists	Cardiol-ogist	Psychiatrist & Neuros
1	Calopar	P	√			√
2	Anotril	P	√ ↑↑	√ ↑	√ ↑	√ ↑↑
3	Cargianal	P	√ ↑↑			√
4	Hanoin	P	√ ↑↑			√ ↑
5	Ingal	P	√ ↑↑		√	√ ↑
6	Cetalo	P	√ ↑			√ ↑
7	SCetalo	P	√ ↑			√ ↑
8	Pziouit	P				√ ↑
9	Balence	P	√ ↑			√ ↑↑
10	Revuk	P	√			√ ↑
11	Origin One	P				√ ↑
12	Nadwet	P	√ ↑↑			√ ↑
13	Misolin	P				√ ↑
14	Strotic	P	√ ↑		√ ↑↑	√ ↑
15	Actil	P				√ ↑↑
16	Anadrot	D	√	√		
17	Unopoze	D	√	√		
18	Glucoton	D	√	√	√	
19	Ridrium	P	√ ↑	√ ↓	√ ↓	√ ↑↑
20	Calopar	P	√	√		√
21	Pilmer	D	√	√	√ ↓	
23	Unopoze G	D	√	√		
24	Glutormin	D	√	√		
25	Glutormin XL	D	√	√	↓	
26	Glutormin G	D	√	√		
27	Fluspan	D	√	√		
28	Zenabon	D	√	√		

C-Cardiac, D-Diabeto, P-Psychiatry, ↑ - More support, ↓ - Less support

**Research Process for preparing the case study**

**The case study was developed on the basis of interviews** by Mr. Om Shankar Dubey, Area Business Manager, Nicholas Piramal Healthcare. Interviews run in three rounds.

First round of discussions were more exploratory in nature. The author invited him for very casual talks. Out of discussion, the format of the case study was developed.

In the Second round discussion, the author had focussed on the problems and brought out the situation threadbare and then started interweaving related information.

In third and final round, further necessary information were collected to fill up gaps for better understanding the case .