Branding and Purchase Decision of Pharmaceutical Products: A Conceptual Model
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Abstract: Pharmaceutical industry has been enjoying double digit growth in their annual sales in the past. Today, the pharmaceutical product loses exclusivity upon patent expiration with great sales erosion which make branding seems like a wise choice for pharmaceutical marketer to employ to extend their product’s lifetime. In the olden days, healthcare professionals are the sole decision maker on the choice of medication for patients. However, the increased power of patients today and how this power has affected the pattern and behavior of healthcare professionals’ prescription. Hence, it is interesting to find out whether or not branding plays a fundamental role in the pharmaceutical industry when it comes to selection of pharmaceutical products among patients. There have been couples of research done to understand the importance of branding in the pharmaceutical industry among healthcare professionals, however not much have dwell further to better comprehend the role of branding and the power it has on the patients. This study is to propose a conceptual model that integrating branding and marketing in understanding purchase decision of pharmaceutical products in pharmaceutical industry.

Keywords: Branding, Pharmaceutical, Purchase decision

1. Introduction
Since late 1980s, the pharmaceutical industry has been achieving strong double digit growth rates of annual sales in the excess of 10% per annum. The pharmaceutical companies have been relying on their strong research and development, full protection towards their patented products as well as maximization of the sales force. Unfortunately, the pharmaceutical industry is no longer enjoying the luxury of aggressive sales growth today. Conversely, they are facing continuous challenges which have changed the industry’s rule of games (Moss & Schuiling, 2003).

One of the challenges is cost of research and development (R&D) in the pharmaceutical industry is increasing as year passes by. Moreover, the probability of getting a new product into the market is relatively slow and it is not as promising as intended, which forces the company to depend on limited existing products to achieve their sales. Hence, it is almost impossible to sustain the good old days’ high growth rates during 1990s when they only have few blockbusters to generate their sales. Secondly, the strong reliance only on the big products means that as the patent of products expires, the sales of company will be at stake. It has been conveyed that almost half of the global best sellers which amounted to 50 are reaching to the end of their patent validity, which would then contribute to low sales production. To make things worse, the erosion of price will accelerate once generic becomes available upon patent expiration. The sales of generic company are likely to increase intensely from this phenomenon in addition to the act of public authorities all around the world trying to reduce the overall health spending. Lastly, the pharmaceutical industry is somehow consolidating and this causes the sales efforts to reach its saturation level. As this happens, it is not possible anymore to depend solely on sales force expansion in hope to promote the company’s products (Moss & Schuiling, 2003).
Due to high cost of R&D and the static rate of new product development success, any new successful products that can be made available in the market should be fully exploited. In this regard, branding seems like a wise strategy to enhance the success of the new product introduction because the values created from branding can be preserved in the brand name itself. As such, it is suggested that pharmaceutical industry can leverage on branding for long-term success as compared to merely employing only technical excellence as they are today. In this context, branding enable value transfer from health authorities to healthcare professionals (prescribers) and subsequently also to the patients, which in the long run will help to strengthen the bond between the buyer and the seller. In pharmaceutical industry, prescribing recommendation from healthcare professionals (doctor and pharmacist) as well as branding is very important. In order to win in the market place and to re-gain their historical growth rate, the industry is in need to identify a new source of sustainable competitive advantage (Blackett & Harrison, 2001).

Branding is one of the strategy is important to create sustainable business performance. Knowing the importance of branding, pharmaceutical marketers often modelled itself against the FMCG industry. They have been using all their resources to build brand for their medicine as they view it as the company’s key assets. In order to attain sustainable competitive advantage, the pharmaceutical marketers employed multiple approach in branding strategies and tactics (Schuiling & Moss, 2004). However, due to the nature of pharmaceutical companies as regulatory organizations, the marketing and selling of their medicines has to be moulded to suit acceptable practices in healthcare. Based on earlier argument, it is clear that pharmaceutical industry facing challenges despite of spending huge sum of money in building brand and in increasing their sales performance due to several restrictions. In comparison to the FMCG industry, the pharmaceutical industry is way behind in adopting brand marketing strategy, and it was mentioned that it is still under the nascent stage (Panchal et al., 2012). This situation is mainly contributed to the fact that some believe that it is not worth for pharmaceutical companies to invest in building strong brands as their product lifetime is limited.

Nonetheless, there have been couples of research done to understand the importance of branding in the pharmaceutical industry, not much have dwell further to better comprehend the role of branding and the power it has on branded medicine against the generic alternatives. To fill the gap, this study is to propose a conceptual model that examining the role of branding in purchase decision of pharmaceutical products from the customers (patients) perspective.

2. Literature Review and Theoretical Background

2.1. Branding in Pharmaceutical Industry?
As explicated earlier, branding seems like a wise choice for pharmaceutical marketer to employ to extend their product’s lifetime. Branding can help foster relationship between pharmaceutical manufacturers and customers where the manufacturers can build “must have” brand among health authorities and healthcare professionals. Secondly, branding offers competitive differentiation against competing products as strong brands have attributes that are extremely difficult to be copied by rivals. Lastly, branding fosters customer loyalty which is crucially important for the pharmaceuticals marketers to maintain or even increase their market share (Blackett & Harrison, 2001).

Importantly, branding will increasingly become an important asset to the pharmaceutical company when the consumers perceive branded medicine is better than generic alternatives (Panchal et al., 2012). The pharmaceutical industry would be more confident in making investment into building brand when consumers find difference between branded and generic alternatives especially when they perceive the branded ones to be better. There has been an evolving attitude and behaviors among the consumers, hence the pharmaceutical industry must embrace a newfangled marketing approach as opposed to what they have in the past (Blackett, 2002).
In the past, healthcare professionals are the sole decision maker on the choice of medication for patients. However, due to the increased power of patients today, knowledge of patients could affect the pattern and behavior of healthcare professionals’ prescription. The traditional role of healthcare professionals as the gatekeeper for healthcare information has been challenged by the emergence and evolution of the internet. Indisputably, patients have slowly become their own strong healthcare advocates as they are able to make their own research and gain information from their fingertips regarding medication and disease status. Today, patient possesses more power than ever to arrive to an era of achieving patient-acceptable-yet-physician-appropriate-treatments (Blackett & Harrison, 2001). Therefore, it is important to foster brand loyalty among the patients as brand loyal customers is a powerful asset that can possibly influence the healthcare professionals especially within primary care treatment which include chronic disease like hyperlipidemia, hypertension and diabetes (Griffiths, 2008). It remains a question to what extent a patient have their decision-making influenced by brands when they select medication. It is interesting to find out if branding plays a fundamental role in the pharmaceutical industry when it comes to selection of pharmaceutical products.

2.2. Purchase Decision Making

Today, consumers are overloaded with information every day to facilitate them to make countless decisions. Undeniably, it is not an easy pathway for consumers to make a decision with encumbered information; therefore consumers tend to cultivate certain “heuristics” which is referred as the habits that tend to influence the pattern of how the consumers make decision (Scammon, 1977; Jacoby et al., 1977; Jacoby, 1984). In the contemporary marketplace, brand is the commonest “rule of thumb” as it facilitates many purchase decisions. Besides, brand also connects both current and future decisions to three different elements namely knowledge, satisfactions and experiences, resulting to reassurance benefit to consumers (Keller, 2008). Therefore, brands truly play an important role in guiding the overall process of a decision making among consumers.

Alike to the concept of decision making process, there is also another framework known as the “hierarchy of effects” (HOE) models (Laghinder & Steiner, 1961). HOE model however is on the subject of communication and advertising. While decision making process describes how consumers run through a series of steps before making final choice, HOE model describes the different mental stages of relationship between consumers and a particular brand (Vakratsas & Ambler, 1999; Ray, 1973). HOE denotes to series of steps which consumer perceive, process and utilize advertising and other marketing communication tool. There are 3 different segments altogether which are cognitive (thinking), affective (feeling) and conative (doing) (Barry & Howard, 1990). Firstly, the consumer will develop certain degree of awareness towards a brand before knowledge. Upon gaining the brand knowledge, the consumers will either develop a positive or negative feeling toward the brand subsequently react towards the feeling by approaching (use) or avoiding (reject) the brand (Kotler & Bliemel, 2001).

2.3. Brand Awareness

In consumer decision making process, 3 major reasons are involved in contributing to the importance of brand awareness (Keller, 1993). It is a goal for every marketer to make their brand prominent and stand out against their competitors in a given product category. When consumers go through a purchase decision, they already have established a consideration set and it is important to raise brand awareness for a product as it will increase its likelihood to be part of the consideration set (Kapferer, 2008; Baker et al., 1986; Chakravarti et al., 2003). Following the “hierarchy of effect” (HOE), the first stage is represented by the brand awareness. As discussed earlier, brand awareness assist the purchase decision as it brings the brand to the consideration set. Consumers are more likely to purchase well-known and familiar brands in the decision rule (Jacoby et al., 1977; Roselius, 1971). When consumers have low involvement in the funnel of purchase decision, brand awareness alone is sufficient to trigger the brand choice without other eliciting factor (Bettman & Park, 1980; Hoyer & Brown, 1990).
2.4. Word of Mouth (WOM)
In consumer behavior context, there is a naturally occurring phenomenon known as the word of mouth (WOM) (Kozinets et al., 2010). WOM is noncommercial, unlike advertising as it does not originate from the company. WOM includes all interpersonal communication regardless of positive or negative remarks regarding a company or a brand between the communicator and the receiver (Goyette et al., 2010). WOM contributes to the formation of purchase decision as it serves as a valuable source of information on product performance. Hence it is also a prerequisite attribute in the funnel of purchase decision (Mooradian et al., 2012). As consumers are personally connected to the source of WOM, the information transferred will be more likely to be received positively by the recipient. The recipient perceives such information as more reliable and trustworthy as compared to other advertising medium (Solomon, 2011). For that reason, marketers should definitely utilize WOM as an effective mean to influence consumer’s purchase decision (Kozinets et al., 2010). Consumers work like a network and they tend to talk about their favorable brands to others especially when they are loyal to the brands. They become a voluntary advocate or ambassadors of the brand as they positively talk about the brand to express their loyalty subconsciously.

Positive WOM could also be contributed by brand awareness since it is the first phase in the purchase decision funnel. As such, brand awareness is the pre-requisite phase before WOM. Hsin et al. (2009) also mentioned that when the brand embeds strongly in the mind of the consumers, the consumers are more inclined to think and talk about the brand.

H1: Brand awareness will positively affects WOM activities.

H2: WOM will positively affects purchase decision.

2.5. Brand Loyalty and Brand Trust
It was concluded by Grewal et al. (1998) that brand awareness is a central moderator in the circle of branding research. It was also found out that consumers are more likely to purchase a particular brand when they are conversant with the brand (Kamins & Marks, 1991). Aaker & Keller (1990) also mentioned that marketers are able to stimulate and foster customer loyalty towards a brand through high brand awareness. Moreover, high brand awareness will lead to high level of brand trusts which subsequently lead to higher intention to purchase. Esch et al. (2006) also added that brand trust has affection effect. Affection is a result of a collective relationship with a brand which triggers a positive feeling. It has been proven by Laroche et al. (1996) that consumers’ confidence to purchase will increase proportionally with brand familiarity as brand familiarity enhance their attitude toward the brand. Additionally, consumers’ feeling towards a brand can also be affected by their familiarity with the brand name (Joachimsthaler & Aaker, 1997).

In the model of purchase decision, Peng (2006) point out that brand loyalty is most greatly contributed by brand awareness. Chou (2005) also seconded to the above statement and suggested that businesses should always promote brand awareness as the primary step upon introduction of a new product or a new market to ensure the best result of marketing. Even back in decades ago, it has already been shown that marketers are able to grow their product market share through high brand awareness and high brand trust (Grewal et al. 1998). In short, a highly recognizable brand is more highly demanded than lowly recognizable brand, subsequently this affect consumer’s purchase decision (Lau & Lee, 1999). On another note, brand loyalty refers to consumers’ commitment to repurchase and they are not likely to switch to alternatives under any circumstances when they are loyal (Hsu, 2000).

H3: Brand awareness positively affects brand trust.

H4: Brand trust positively affects purchase decision.
H5: Brand awareness positively affects purchase decision.

H6: Brand awareness positively affects brand loyalty.

H7: Brand loyalty positively affects purchase decision.

2.6. Advertising
With the emergence of technology, wireless connection and mobility, consumers are continuously exposed to boundless marketing communication tool such as advertisement and promotions. Irrefutably, consumers are influenced by these marketing tools to some extent. Marketers regardless from the public sector or the private sectors learn that effective communication with the target audience is momentously important as it will lead them towards success when their intended message gets across correctly (Oliver, 1999). Advertisement and other forms of promotional tools have been continuously leveraged to promote and sell a particular product or service as advertisement has the ability to create a positive feeling among the consumers. Advertising is referred as a process which can create likelihood and positive tendency towards a product or service selection. When a particular advertisement is able to trigger an attitude towards a brand, it helps to form the purchase decision (Arshad & Aslam, 2015). Henceforth, advertising is a significant variable which may affect consumers’ purchase decisions (Oliver, 1999).

Advertisements come from various forms which include slogans, taglines, symbols, logos or even the packaging. The right approach and usage of advertising medium is important to ensure its effectiveness. However, due to the stringent environment and strict regulation of pharmaceutical industry which disallows direct advertising to consumer, the marketers could only rely on indirect advertising. Hence, marketers can only advertise therapy or disease related advertisement instead of branded medicine (Goldsmith & Lafferty, 2002).

H8: Advertising positively affects consumer’s purchase decision.

H9: Advertising positively affects brand awareness.

Based on the literature presented, a conceptual Model of purchase decision in pharmaceutical Industry is developed. The explanation of the proposed model is discussed on the next section.

3. Conceptual Model of Purchase Decision in Pharmaceutical Products
This study is to examine the role of branding in purchasing pharmaceutical products. The model is proposed as in Figure 1. The framework were conceptualized and gathered from multiple journals, (Ladha, 2007; Hutter et al., 2013; Hsin et al., 2009; Wang et al., 2010; Lau & Lee, 1999; Levy & Guterman, 2012) and also based on the literature review carried on pharmaceutical industry as well as FMCG industry. In previous findings where the studies were conducted in non-pharmaceutical industry, it was found out that brand awareness is the pre-requisite of words of mouth, brand trust and brand loyalty which in turn positively affect the purchase decision. In addition, advertising also directly affect brand awareness and purchase decision positively. Whilst these are conducted in different background industry, it is interesting to ascertain if the same applies to pharmaceutical industry which lacks of research and focus.

4. Conclusion

This study is to propose a conceptual model that integrating branding and marketing in understanding purchase decision of pharmaceutical products in pharmaceutical industry. Scholars argue that branding will increasingly become an important asset to the pharmaceutical company when the consumers perceive branded medicine is better than generic alternatives (Panchal et al., 2012). The pharmaceutical industry would be more confident in making investment into building brand when consumers find difference between branded and generic alternatives especially when they perceive the branded ones to be better. There has been an evolving attitude and behaviors among the consumers, hence the pharmaceutical industry must embrace a newfangled marketing approach as opposed to what they have in the past (Blackett, 2002). Although more suggestion on the importance of branding in this industry, empirical evidences are still lacking which need further investigation. Thus, this research considers timely and worth.

References


